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Achieving resilience? Understanding social enterprises' strategies to tackle challenges in their delivery of public services

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Declaration

I declare that this thesis has been composed solely by myself and that it has not been submitted, in whole or in part, in any previous application for a degree. Except where states otherwise by reference or acknowledgment, the work presented is entirely my own.

Signed:

Yida Zhu

Presentations at peer reviewed conferences

The initial research design and findings were presented at the following peer reviewed conferences:

The 20th International Research Society for Public Management (IRSPM) Conference, Hong Kong, April 13-15, 2016. *Can social enterprises achieve sustainability in their delivery of public services and what are the contingencies?*

The 45th Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) Conference, the Emerging Scholars Research Roundtables, Washington DC, November 17-19, 2016. *Can social enterprises achieve sustainability in their delivery of public services and what are the contingencies?*

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The 6th EMES International Research Conference on Social Enterprise, Louvain-la-Neuve, July 3-6, 2017. *Can social enterprises achieve resilience in their delivery of public services and what are the contingencies?*

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Abstract

This thesis aims to explore the strategies by which social enterprises (SEs) delivering public services seek to tackle challenges. It also aims to examine which strategies enable SEs to achieve resilience from the challenges. The concept of resilience at the organisational level refers to an organisation's adaption that enables the organisation to enlarge its capacity to absorb current and future challenges, which ensures long-term solutions for challenges. There has been an expanding stream of literature in the SE field focusing on the challenges arising from SEs' hybrid organising of social and business missions, and SEs' management and performance under challenging conditions. This thesis builds on this perspective and draws insights from the organisational resilience literature to address the knowledge gap in SEs' organisational activities and managerial practices regarding their challenges and the effectiveness of their strategies to tackle challenges.

This research employed a qualitative case study methodology. Semi-structured interviews, observations of board meetings and daily operations, and document analysis were conducted in four SEs that provided employability training services in Scotland. The data was analysed through a grounded theory approach. In doing so, this thesis has teased out a range of challenges that were confronted by the SEs in their delivery of public services and the strategies that were adopted by the SEs to tackle them.

The thesis makes a theoretical contribution by revealing the complex sources that cause challenges for SEs; highlighting the changing nature of challenges; revealing the different degrees in SEs' willingness to adapt; and conceptualising organisational resilience and maladaptive processes as two consequences of SEs' strategies for challenges. The most important contribution is that, by integrating SEs' challenges, SEs' strategies and the consequences of strategies, this thesis discovers the contingent nature of SEs' achievement of organisational resilience. A conceptual framework is developed to explicate the contingencies in which SEs' strategies lead to the long-term solutions for challenges, i.e. organisational resilience; and three types of maladaptive processes that help SEs to cope with challenges in the short-term. On a practical level, this research highlights the trade-offs between achieving organisational resilience and delivering high-quality public services. It advocates that achieving organisational resilience does not necessarily represent SEs' ability

to deliver high-quality public services. Rather, SEs of different practices complement each other in public services delivery in Scotland.

Lay summary

This thesis aims to explore the strategies by which social enterprises (SEs) delivering public services seek to tackle challenges and to examine which strategies enable SEs to achieve organisational resilience. The concept of resilience at the organisational level refers to an organisation's adaption that enables the organisation to enlarge its capacity to absorb current and future challenges, which ensures long-term solutions for challenges. There has been an expanding stream of literature in the SE field focusing on the challenges arising from SEs' attempt to combine social and business missions, and SEs' management and performance under challenging conditions. This thesis builds on this perspective and draws insights from the organisational resilience literature to address the knowledge gap in SEs' organisational activities and managerial practices regarding their challenges and the effectiveness of their strategies to tackle challenges.

This research employed a qualitative case study methodology. Semi-structured interviews, observations of board meetings and daily operations, and document analysis were conducted in four SEs that provided employability training services in Scotland. The data was analysed through a grounded theory approach. In doing so, this thesis has teased out a range of challenges that were confronted by the SEs and the strategies that were adopted by the SEs to tackle the challenges.

The thesis contributes to the SE literature by revealing the complex causes of challenges for SEs; highlighting the changing nature of challenges; revealing the different degrees in SEs' willingness to adapt; and conceptualising organisational resilience and maladaptive processes as two consequences of SEs' strategies for challenges. Moreover, by exploring the relationship between SEs' challenges, SEs' strategies, and the consequences of strategies, this thesis discovers the contingent nature of SEs' achievement of organisational resilience. A SE can achieve organisational resilience when it confronts a challenge of one single cause and has the willingness to adapt to the challenge. A conceptual framework is developed to explicate the contingencies in which SEs' strategies lead to the long-term solutions for challenges, i.e. organisational resilience; and three types of maladaptive processes that help SEs to cope with challenges in the short-term. On a practical level, the research highlights the trade-offs between achieving organisational resilience and delivering high-quality public

services. It advocates that achieving organisational resilience does not necessarily represent SEs' ability to deliver high-quality public services. Rather, SEs of different practices complement each other in public services delivery in Scotland.

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Abbreviations

SE	Social Enterprise
PSO	public service organisation
SEF	Social Entrepreneurs Fund
EMES	Research Network for Social Enterprise
DTI	Department of Trade and Industry
NPM	New Public Management
NPG	New Public Governance
SENSCOT	Scotland Social Entrepreneurs Network for Scotland
AH	Arts House
BG	Bistro Gallery
BP	Business Park
SP	Security & Pub

CHAPTER 1

INTRODUCTION

1.1 OVERVIEW

In this thesis, I will explore the strategies by which social enterprises (SEs) seek to tackle challenges in their delivery of public services in Scotland. Drawing upon a theoretical understanding of organisational resilience, I will claim that these strategies can lead to different consequences, including long-term solutions to and short-term coping with challenging conditions. This exploratory study furthers our understanding of the concept of resilience in the SE context. The resilience concept captures how organisations develop responding strategies under challenging conditions and examines whether these strategies enhance organisations' capacity to absorb current challenges and prepare for future ones. This thesis makes a valuable contribution to the SE literature by illuminating the contingencies in which SEs' organising activities and managerial practices result in *resilience* or *maladaptive processes*, the opposite to resilience.

The purpose of this introductory chapter is to explain the rationale for the focus of the research, to outline the research questions that have guided the thesis and to overview the research methods that have been utilised. Additionally, the key research findings and their implications are summarised.

1.2 RESEARCH FOCUS

Recent research on SE has advanced new theories to analyse its organisational activities and managerial practices (Chew & Lyon, 2012; Doherty, Haugh & Lyon, 2014), which creates new knowledge about SEs' management and performance in achieving both social and business missions. Straddling different sectors and intending to create multiple values through its organising, SE has given rise to concerns over whether SE can combine divergent and sometimes conflicting organisational norms and values, such as 'business' and 'charity' (Battilana & Lee, 2014; Greenwood, Raynard, Kodeih, Micelotta & Lounsbury, 2011). There is an expanding stream of literature in the SE field which focuses on the challenges arising from SEs' hybrid organisation of social and business missions (e.g. Russell & Scott, 2007; Scott & Teasdale, 2012; Seanor & Meaton, 2008; Spear, Cornforth & Aiken, 2009; Tracey & Jarvis, 2006; Zimmer et al., 2018). Developed upon the early assertion of 'tensions between social and business missions' (Bull, 2007; Moizer & Tracey, 2010; Nyssens, 2006; Russell & Scott,

2007), this rising stream of literature has discovered that multiple stakeholders' diverse and conflicting demands for SEs' social and business objectives lead to SEs' challenges (Battilana & Lee, 2014; Doherty et al., 2014; Powell et al., 2019; Spear et al., 2009). Whereas, it remains unclear in the literature about how SEs react under challenging conditions and to what extent SEs can tackle challenges in order to survive and thrive (Battilana & Lee, 2014; Doherty et al., 2014; Young, 2012).

From a public management perspective, the changing landscape of public service delivery has inspired public service organisations (PSOs) to adopt hybrid organisational forms (Brandsen, Van de Donk & Putters, 2005; Evers, 2005; Osborne & Strokosch, 2013; Pestoff & Brandsen, 2010). Straddling the public, private and third sectors, SEs delivering public services hybridise the structural elements of these well-established sectors (Battilana & Lee, 2014; Doherty et al., 2014; Powell & Osborne, 2015; 2019). These SEs are claimed to have more control over financial resource than 'traditional' third-sector organisations (Mair & Marti, 2006) and are more socially oriented than for-profit organisations (Madill, 2015; Powell & Osborne, 2018). Additionally, the engagement with the public sector makes these SEs consider generating value for a collective citizenry in their process of public service delivery (Osborne & Strokosch, 2013; Strokosch & Osborne, 2017). Combining the structural elements of different sectors, however, makes SEs deviate from each sector at the same time, which causes tensions and challenges (Greenwood et al., 2011; Powell et al., 2019). Doubts have thus been raised about whether the hybrid nature results in fundamental challenges that could prevent SEs from becoming ideal and sustainable PSOs (Mason & Doherty, 2016).

Powell et al. (2019) have primarily found that when facing multiple stakeholders' demands of 'good service' (Osborne, 2018), the emphasis on the high quality of both public and business services contributes to SEs' sustainability as PSOs and good practice of hybrid organising. Nonetheless, the extant literature does not articulate if SEs' strategies for the challenges to organise hybridity work on the challenges in public services delivery or *vice versa*. Therefore, SEs' involvement in public services delivery offers an interesting and suitable context to investigate SEs' organisational activities and managerial practices to tackle different types of challenges and whether their responding strategies can lead to a synergy to solve both challenges.

The concept of organisational resilience is used to explain why some organisations can overcome challenging events, while others fail (Sutcliffe & Vogus, 2003; Vogus & Sutcliffe, 2007). This concept captures the coexistence of threats and opportunities under a challenging condition and emphasises organisations' adaption to handling challenging conditions and their capability to learn from experience, so as to prepare for future challenges in the long term (Bhamra, Dani & Burnard, 2011; Burnard & Bhamra, 2011; Burnard, Bhamra & Tsinopoulos, 2018). Although it provides a suitable theoretical lens to understand whether and how organisations can tackle challenges, organisational resilience has never been formally applied to examining SEs' organisational activities and managerial practices under challenging conditions. This thesis incorporates the concept of organisational resilience into the research, to fill in the knowledge gap of how SEs tackle various challenges and to what extent. Hence, the overarching research question and the three sub-questions guiding this thesis are:

RQ: Can SEs involved in public services delivery achieve resilience from challenges and in which contingencies?

SQ1: How do challenges arise in SEs involved in public services delivery?

SQ2: What capabilities and strategies do SEs develop to tackle challenges?

SQ3: What consequences arise from SEs' strategies to tackle challenges?

There are several benefits to the approach taken within this thesis. The research sub-questions guide the thesis to undertake two 'stocktaking' tasks: teasing out the challenges confronted by SEs involved in public service delivery and the strategies adopted by SEs. Examining SEs' strategies against the literature of organisational resilience, this thesis explores whether SEs develop long-term or short-term solutions to challenges. Combining the answers to the three sub-questions, this thesis is able to explore the latent patterns between SEs' challenges, strategies to challenges and the effectiveness of strategies, which brings about the framework of SEs' resilience contingency to address the overarching question and makes an important contribution to the theory.

1.3 RESEARCH CONTEXT

The Scottish Government's policy support for the SE development has been closely linked to its public services reform. The promotion of SE in Scotland includes three aspects. First, the

Scottish Government encourages third-sector organisations that are already involved in public services delivery to practice SE activity. In 2008, the Scottish Government published its action plan, *Enterprising Third Sector: Action Plan 2008-2011* (Scottish Government, 2008). SE was categorised as one of the activities that an enterprising third sector could embrace. Secondly, starting up new SEs was encouraged in Scotland. As early as 2004, the Scottish Executive had set up a Seedcorn Fund to award grants to emerging organisations, of which a small amount was used to encourage new SEs. As of September 2017, £4 million has been invested in the Social Entrepreneurs Fund (SEF) to support SE start-ups (Firstport, 2018). Thirdly, the existing SEs are supported to deliver public services. In the latest action plan, *Building a Sustainable Social Enterprise Sector in Scotland: Action Plan 2017-20*, the Scottish Government (2017a) is committed to stimulating SEs to play a key role in public services.

However, several scholars have argued that there is a discrepancy between the Scottish Government's policy rhetoric and reality (Mazzei & Roy, 2017; Roy, McHugh, Huckfield, Kay & Donaldson, 2015). The discrepancy is threefold. First, SEs in Scotland are not fully independent of funding grants. Although there is evidence of SEs' trading activity, funding income still counts for a significant proportion of SEs' financial resource. Second, the number of SEs in Scotland is increasing, but there is a lack of coherence in what this term refers to. Third, many SEs do provide public services, as the Scottish Government expects, whereas it is not easy for them to access the public service market. The reasons are attributed to SEs' low delivery capacity and local authorities' prudence. These circumstances indicate that there are substantive challenges for SEs to operate and deliver public services in Scotland, which illuminates the empirical and practical relevance of undertaking this research in Scotland.

1.4 RESEARCH DESIGN OVERVIEW

The design of the research started with the researcher's philosophical positions in how knowledge is created. Interpretivism of ontology underpins that the research was based upon the interpretation of people's understanding of multiple realities. Epistemologically, this research kept a close relationship with research participants at the research site for a certain period, to obtain first-hand information from participants (Guba & Lincoln, 1988; Wolcott, 1999). A case study methodology, with qualitative methods, was used to collect rich data from a variety of sources, to address the three research sub-questions and the overarching research question.

Exploratory interviews were conducted to assist the selection of case study organisations. The main phase of fieldwork was undertaken in four case studies, where an extensive array of data was collected from 30 semi-structured interviews with chief executives, board directors, staff members, volunteers and former service users. In each case study organisation, additional data were gathered from observations during board meetings and daily operations, and document analysis. The analysis of findings followed a grounded theory approach, while the researcher kept referring to the literature again and linking the prior literature to the collected data.

1.5 KEY FINDINGS AND IMPLICATIONS

The findings revealed that conflicts related to multiple stakeholders and the hidden cost to hybridise social and business missions were two major sources of SEs' challenges. Moreover, the findings have evidenced that new challenges emerged and old ones evolved, along with the organisational growth within a SE. Although the findings demonstrated that SEs had strong intentions to tackle challenges by enhancing individuals' competencies within the organisations, detailed strategies reflected SEs' diverse attitudes towards adaption under different challenging conditions. The findings further revealed the coexistence of resilience and maladaptive processes resulted from SEs' strategies to tackle challenges. This inspired the researcher to further investigate the latent relationships between SEs' challenges, SEs' strategies and the consequences of those strategies. This led to the discovery of the external and internal contingent conditions that contribute to SEs' achievement of resilience: the complexity of challenges and SEs' willingness to adapt.

This thesis is the first research that has formally employed the resilience theory as a lens to examine SEs' strategies to tackle challenges and the effectiveness of their strategies. By introducing the concept of organisational resilience into the SE field, the research has contributed to the SE literature in two ways. First, it has developed two new conceptualisations regarding the consequences of SEs' strategies to tackle challenges: *resilience* and *maladaptive processes*. SEs' resilience refers to an outcome that emerges from SEs' strategies and processes that enable SEs to adapt to changing challenges. The strategies and processes enlarge SEs' capacity to absorb current challenges and prepare for future challenges. The achievement of organisational resilience indicates a long-term solution, since SEs' strategies not only aim at the current challenges, but also enable organisations to learn from the previous adaption. Alongside organisational resilience, SEs' maladaptive processes

refer to an outcome that emerges from SEs' strategies and processes that increase SEs' rigidity in response to challenges. The strategies and processes intensify SEs' normal routines, underline pre-designed plans and allow limited adaption, which focuses on coping with current challenges. In contrast to resilience, the occurrence of maladaptive processes indicates a short-term solution, since SEs' strategies neglect the changing nature of challenges and resist adjustments to operations. SEs are thus vulnerable to potential challenges in the future.

The external and internal contingent conditions of SEs' resilience have been incorporated into a framework to explain when and why SEs' strategies to tackle challenges lead to achieving organisational resilience. The conceptual framework shows that organisational resilience is achievable when SEs confront a challenge of a single cause and SEs are willing to adapt to the challenge. The single cause makes it easier for the SE to process information about the challenge, while the willingness to adapt motivates the SE to mobilise human and monetary resources to adjust operations. In parallel, maladaptive processes occur when SEs confront a challenge of a single cause and are unwilling to adapt; when SEs confront a challenge of multiple causes and are unwilling to adapt; or when SEs confront a challenge of multiple sources and adapt to the partial cause of the challenge.

Studying these strategies and processes has revealed important implications for our understanding of SEs' challenges in their hybrid organising, delivering public services and has filled the knowledge gap in SEs' organisational activities and managerial practices under challenging conditions. Furthermore, the research reveals when and why SEs can tackle challenges with long-term or short-term solutions.

1.6 THESIS OVERVIEW

This thesis consists of nine chapters. Chapter One has introduced the related literature and the theoretical framework on which this research is based; provided the background information about SE development and SEs' involvement in the delivery of public service in Scotland; and outlined what this thesis sets out to achieve, and how.

The remainder of the thesis is structured as follows. Chapter Two examines three areas in the SE literature. First, it reviews the literature on the conceptualisations and definitions of SE. The second area looks at the literature on SEs' challenges in hybrid organising and

delivering public services. Finally, existing literature on SEs' responding strategies for challenges is discussed.

Chapter Three undertakes a review of resilience theory at the organisational level. It focuses especially on the strategies that enable organisations to become resilient. Linking to the SE literature, this chapter discusses and develops the conceptualisation of organisational resilience in the context of SE.

Chapter Four locates the research in the context of Scotland, where SEs are encouraged to deliver public services by public policies. This chapter reviews the policy literature, including the policy documents published by the Scottish Government and the studies conducted by SE practitioners and SE scholars. This chapter also unpacks the policy rhetoric and the reality of SE development in Scotland. It then discusses the discrepancy between them.

Chapter Five outlines the choice and the evolution of research methodology in this thesis. It commences with a discussion on the philosophical position that this research takes. This chapter considers the exploratory nature of the research and the fact that few empirical studies exist in this area. Therefore, an initial inductive approach is considered suitable, to allow the perceptions of SE, SEs' challenges and SEs' strategies for resilience to be explored. With the research going on, an iterative process between the data and literature stimulates abductive thinking, which combines hunches and previous knowledge into new ideas. This chapter provides a platform to unfold the research process, justify the appropriateness of the chosen methods and to discuss the limitations in this research.

Chapters Six and Seven report the research findings from the four in-depth case studies. Chapter Six focuses on the background information about the case study organisations, including their history, perceptions of SE and SE operations. Chapter Seven focuses on reporting the 16 challenging conditions that occurred in the four organisations. This chapter explores in depth the case study SEs' responding strategies under the challenging conditions and presents the consequences following their strategies.

Chapter Eight is devoted to the discussion of the three-layer analysis of the findings. These three layers of analysis correspond to the three research sub-questions. The integration of the analysis has generated a conceptual framework of SEs' resilience contingency, which addresses the overarching research question. This chapter thereby paves the way for

presenting the contribution of the thesis in Chapter Nine, the conclusion chapter. The conclusion is concerned with the theoretical, empirical and practical contributions made by this thesis. It will also highlight the ways that future research may be undertaken.

CHAPTER 2

LITERATURE REVIEW PART I: SOCIAL ENTERPRISE AND ITS CHALLENGES

2.1 INTRODUCTION

The review of literature in this thesis is split into two parts. The first part of Chapter Two focuses on the existing literature on Social Enterprise (SE). It starts by exploring the complexity of conceptualising and defining SE. Different explanations for the emergence of SE are discussed, highlighting the distinctive social, economic, political and cultural contexts where SEs are embedded. In addition to the divergence, the review also considers the convergence among the different conceptualisations, which opens up an area to examine views on SE's hybrid organising. This chapter considers SEs' challenges in management, arising from the engagement of dual missions and uncovers a lack of knowledge regarding SEs' organisational activities and managerial practices, i.e. responding strategies to tackle challenges in organising hybridity. Noticing the increasing involvement of SEs in public services, this thesis then investigates and explains that public services delivery provides an interesting and suitable context to study SEs' responding strategies. The first two research sub-questions thus emerge from the discussion of existing literature and are summarised at the end of this chapter.

The second part of the review in Chapter Three regards the specific literature on resilience theory. The theory derives from ecology and is then introduced to social sciences, to explain the adaptive capacity to persist, in spite of adversities. This thesis intends to address the gaps in understanding SEs' capacity to tackle challenging conditions, through the lens of organisational resilience. The third research sub-question and the overarching research question will be presented at the end of Chapter Three.

2.2 CONCEPTUALISING AND DEFINING SOCIAL ENTERPRISE

The emergence of SE has attracted many scholars' attention in the past few decades (Borzaga & Defourny, 2001; Dees, 1998a; Kerlin, 2009; Nyssens, 2006). The term 'SE' first came into use in the 1990s, on both sides of Atlantic, though a few years earlier in Western Europe than in the United States (Defourny and Nyssens 2010; 2012). Scholars denote that SE is not a new phenomenon, but it evolved from existing organisational forms and practices of cooperative, non-profit, third-sector organisation and private business (Bull, 2008; Defourny & Nyssens, 2010) and the term embraces a wide range of organisations, with diverse backgrounds and activities (Simmons, 2008). Despite the simultaneous use of the term around the world, there is an ongoing debate around how to conceptualise and define SE (Lyon & Sepulveda, 2009).

Organisational forms of cooperative, mutual aid societies and associations have a long history in Western Europe, and they have been legally recognised and institutionalised, based on their activities of free association, meeting social needs and restoring community, and democratic participation (Amin et al., 2002; Defourny, 2001; Evers & Laville, 2004a). Many countries in Western Europe experienced a crisis in public finance in the 1980s (Defourny & Nyssens, 2010). For years, these countries had practised a welfare-state ideology, of which the public sector played a major role in public service delivery. When fiscal crises occurred, these countries were forced to retrench public spending and to reform the public sector. The decentralisation and privatisation of public departments consequently led to the reduction of public services provision (Kerlin, 2010). The responsibility for public goods and services in Western European countries was then 'shared among public authorities, for-profit providers and third-sector organisations' (Defourny, 2001:2). The undergoing changes in public services delivery inspired the civil society movements, among which new forms of organisation aiming to improve the public's life conditions arose to take over the responsibility for addressing societal issues and providing public services (Defourny and Nyssens, 2010; Kerlin, 2010; Teasdale, 2012).

To support the development of social economy organisations, new legal entities were designed for associations that responded to unmet social needs, by developing economic activities. Italy was the first country that legislated to initiate a new legal form, 'social cooperative', in 1991. This organisational form was seen as the prototype of SE in Europe (Defourny & Nyssens, 2012). Following Italy, several other European countries, such as Belgium, France, Greece and Portugal, introduced new legal forms in the mid-1990s, which

allowed 'not-for-profit' organisations to adopt entrepreneurial activity (Defourny & Nyssens, 2008). These new legislations for associations emphasised the cooperative forms as the major entrepreneurial behaviour (Borzaga & Defourny, 2001; Kerlin, 2006). The principles that they followed included having the aim of serving members or the community, an independent management, a democratic decision-making process and the primacy of people and labour, while the distribution of profits to members in a limited way is particularly highlighted, alongside the principles (Defourny, 2001; Evers & Laville, 2004a; Monzon & Chaves, 2009). In Western Europe, SE thus started to be referred to a range of new organisational forms that share some common attributes in their economic and social missions, and practise democratic governance (Defourny & Nyssens, 2012).

The academic discussion in the US links the emergence of SE with non-profits' approaches to generating commercial revenue in the face of a decline in state funding (Defourny & Nyssens, 2010). The US government had been playing the role of funding provider for state welfare (Salamon, 1987). This practice led to an elaborate system of 'third-party government', in which the government used public funds and public authority to finance and direct third-party organisations to deliver public services (Salamon, 1981). Non-profits were vital participants in this system. Many funds were channelled through non-profits, to provide public services and non-profits counted on the government as a reliable stream of resources (Hodgkinson et al., 1992; Salamon, 1995; Young, 2003). The economic downturn in the late 1970s, however, led to a significant cutback in federal funding for non-profits in the 1980s. Following the drastic decrease in available funding grants, non-profits had to seek alternative financial resources (Salamon, 1997). Organisations began to employ market-based approaches to generating income, in support of their social missions (Kerlin, 2006).

In the early 1990s, SE became widely used in a sense to describe non-profits' trading activities (Dees 1998b). Dees (1998a:56) summarises five reasons for the 'rising tide of commercialisation' among non-profits in the US. First, the market discipline has become more acceptable to non-profits, with the growing influence of competition and efficiency. Second, non-profits seek new ways to enhance beneficiaries' self-esteem, such as charging them service fees and providing them with paid jobs. Third, non-profits seek diverse income streams, especially with unrestricted income, to sustain themselves financially. Fourth, funders have preferred non-profits that are more capable of becoming self-sufficient, without funding in the end. Fifth, the increasing competition in traditional funding sources

has forced non-profits to turn to alternative income sources. Under these circumstances, SE has been depicted as the entrepreneurial activities that non-profits adopt to earn commercial income (Eikenberry & Kluver, 2004; Kerlin, 2006; Young, 2003). For example, Emerson and Twersky (1996:3) suggest that non-profit managers who want to run SEs commit to the 'double bottom line', namely 'making good business sense' and 'fulfilling the organisation's social mission' simultaneously.

While non-profits tend to incorporate business approaches and strategies in seeking commercial income sources and more 'innovative, cost-effective and sustainable' solutions to social problems, new for-profit social ventures are seen to be rising, with explicit aims of addressing social issues (Dees & Anderson, 2004; Kerlin, 2006; Salamon, 1999; Young, 2001). These social ventures are depicted as organisations legally incorporated in for-profit entities, serving a social purpose and measuring their success by both social impact and economic performance (Dees & Anderson, 2003). Dees (1998b:1) sees that social ventures are driven by 'social entrepreneurship' that combines 'the passion of a social mission with an image of business discipline, innovation and determination'.

Several leading universities in the US, including Duke University's Fuqua Business School, Columbia Business School and the Harvard Business School, accept that SE encompasses both a revenue-generating activity that financially supports a social purpose and a mission-critical activity that generates revenue and delivers social missions simultaneously (Young 2003; 2006). This means that SE may appear in a variety of forms, including internal commercial ventures (such as a business department with social missions), for-profit and non-profit subsidiaries and partnerships with business, including cause-related marketing (such as Corporate Social Responsibility projects) (Dees, 1994; 1996; 1998a; Kerlin, 2006). Young (2001) captured these developments and connected SE to three types of for-profit social ventures:

1. Corporate Philanthropist: a profit-driven business that decides to use some of its resources to advance social causes or promote the public good;
2. Social Purpose Organization: a private organization devoted to achieving some social good, by generating commercial revenue to support the social mission or carry out social mission-related functions;
3. Hybrids of the above two types: a business that claims to make a profit for its owner and to contribute the profit to the broader social good (p152-153).

The discussion above shows that the emergence of SEs is deeply embedded in the social, economic, political and cultural contexts in which they operate (Kerlin, 2006; 2009; 2010; Defourny & Nyssens, 2010), which makes the conceptualisation of SE a loose and baggy monster (Kendall & Knapp, 1994). Different propositions of conceptualisation and definition debate with each other. For instance, the EMES European Research Network (now renamed the EMES International Research Network for Social Enterprise) has gathered a number of scholars to develop a common approach to studying SE emerging from new organisational forms in the social economy of Western Europe (Borzaga & Defourny, 2001; Defourny & Nyssens, 2012). EMES' 'ideal type' (see Table 2.1) summarises the key features coming out of data collected from a series of cross-country studies between 1996 and 2000 (Defourny & Nyssens, 2012). EMES conceptualises SE in Western Europe in three dimensions: economic and entrepreneurial mission, social mission and participatory governance.

Table 2.1: EMES' ideal type of SE (adapted from Defourny & Nyssens, 2010:43)

Dimensions	**Indicators**
Economic and entrepreneurial dimensions	A continuous activity producing goods and/or selling services
	A significant level of economic risk
	A minimum amount of paid work
Social dimensions	An explicit aim to benefit the community
	An initiative launched by a group of citizens or civil society organisations
	A limited profit distribution
Participatory governance of social enterprises	A high degree of autonomy
	A decision-making power, not based on capital ownership
	A participatory nature, which involves the persons affected by the activity

It is underlined that this ideal type does not require SEs to comply with every single indicator, whilst it is a tool that assists scholars to identify and map SEs and helps practitioners to reshape older organisational forms into SEs (Defourny & Nyssens, 2006; 2012). Nonetheless, Peattie and Morley (2008) point out that authors who summarise SE into particular characteristics tend to confuse what typifies SE with what defines SE. This causes definitional problems, since not all SEs draw on all of the characteristics, especially the typical ones (Ridley-duff & Bull, 2016). As Peattie and Morley (2008:95) argue, the only clearly defining characteristics are 'the primacy of social aims' and 'the primary activity involves trading goods and services', while a definition that sticks to typical characteristics is inclined to exclude SEs in line with the defining characteristics only.

Emerson and Twersky (1996:3) suggest using the 'double bottom line', namely good business sense and social mission, to present what SE essentially does. Following this, Dees argues that SE combines 'commercial and philanthropic elements in a productive balance' (Dees, 1998a:60). He uses a spectrum to locate SE between purely commercial, for-profit businesses and purely philanthropic, non-profit organisations (see Figure 2.1). Hence, the characteristics of SE, as summarised by Dees, demonstrate the hybrid nature in its motives, methods, goals and key stakeholders engaged by SE.

		Purely Philanthropic ⟷		**Purely Commercial**
Motives, Methods and Goals		Appear to goodwill Mission-driven Social value	Mixed motives Mission and market driven Social and economic value	Appeal to self-interest Market driven Economic value
Key Stakeholders	**Beneficiaries**	Pay nothing	Subsidised rates or mix of full payers and those who pay nothing	Market-rate prices
	Capital	Donations and grants	Below-market capital or mix of donations and market-rate capital	Market-rate capital
	Workforce	Volunteers	Below-market wages or mix of volunteers and fully paid staff	Market-rate compensation
	Suppliers	Make in-kind donations	Special discounts or mix of in-kind and full-price donations	Market-rate prices

Figure 2.1: The social enterprise spectrum (Dees, 1998:60)

The utilisation of the only two defining characteristics to depict SE, however, overgeneralises the hybrid area between purely philanthropic and purely commercial organisations (Alter, 2007). Alter (2007) argues that SE does not represent all the organisation types or activities that create a 'blended value' (Emerson, 2003) of social and economic objectives. What Alter (2007) underlines is that SE, in essence, is motivated by a social mission, although it is more concerned about financial sustainability by generating commercial income than traditional non-profit organisations do. She further clarifies that SEs adopt commercial activity as the means to achieve the social ends, whereas socially responsible businesses utilise social contributions as the means to achieve their profit-making ends. Identifying the subtle differences in motive, accountability and use of income, Alter proposed a hybrid spectrum that subdivides the hybrid area into four types of organisation and activity (see Figure 2.2).

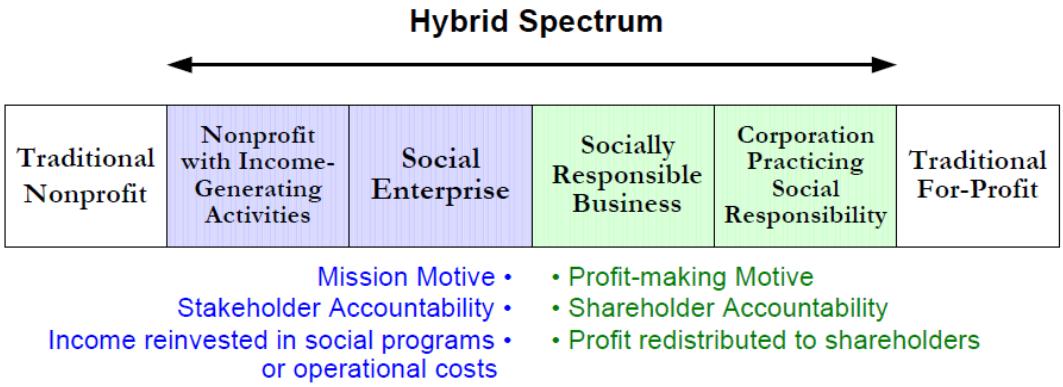

Figure 2.2: Hybrid spectrum (Alter, 2007:14)

Moreover, with regard to the problem of overgeneralisation, scholars have found that a loose definition of SE tends to be taken advantage of by different actors of competing interests, to renegotiate and reconstruct the term in different times and contexts (Chew & Lyon, 2012; Teasdale, 2012; Teasdale, Lyon & Baldock, 2013). One example is the definition created by the Department of Trade and Industry (DTI) of the UK Government, which merely captures the social objective and the reinvestment of surpluses back to the social objective (DTI, 2002). The operationalisation of this definition turned out to be disingenuous, since the definition has been interpreted with different criteria, in different years and a different population of organisations were thus surveyed and estimated as SEs (Spear et al., 2009; Teasdale et al., 2013).

The brief discussion above has shown that SE is not able to be articulated as one single definition, due to its heterogeneity (Shaw & Cater, 2007). The lack of consensus on what SE is, however, inspires efforts to develop categorising tools to demonstrate the heterogeneity among SEs. For instance, Spear et al. (2009) created a typology of SEs, according to their different origins and development paths (see Table 2.2). Instead of pushing forward a definition, the authors categorise the diverse organisations and activities mentioned by the different explanations for SE's emergence into four types.

Table 2.2: A typology of social enterprise (Spear et al., 2009:266)		
Types of Social Enterprise	**Origins**	**Examples**
Mutuals	Formed to meet the needs of a particular group of members through trading activities	Consumer cooperatives' credit unions
Trading charities	Commercial activities established to meet the charities' primary mission or as a secondary activity to raise funds	Educational or other charities that charge for services Charities with trading subsidiaries, e.g. charity shops
Public sector spin-offs	Social enterprises that have taken over the running of services previously provided by public authorities	Leisure trusts Some health and social care social enterprises
New-start social enterprises	Enterprises set up as new businesses by social entrepreneurs	Some fair trade and 'green' enterprises

Spear et al.'s (2009) typology explicitly illustrates the divergence among different types of SE, but what it fails to grasp is the latent convergence among SEs, despite the disputing conceptualisations. Defourny and Nyssens (2010) suggest that a thorough understanding of what a SE can be should avoid overemphasis on the divergence. Teasdale (2010a, 2012) further captured two pivotal elements among this wild array of debatable conceptualisations: the relative adherence to social or economic goals and the degree of democratic control and ownership. Using these two dimensions, the author developed a typology to show different forms of SE (see Figure 2.3). He points out that democratic ownership is underlined in the social solidarity tradition, whilst the individualism of entrepreneurship is emphasised among non-profit and for-profit organisations that seek new income sources and social innovation, respectively. On the other hand, the social solidarity tradition and the non-profit seeking new income sources counts commercial income as a supplementary income source and accepts mixed income to support SE's primary social purpose, whilst the for-profit seeking social innovation is essentially motivated by using profits to make social changes. These two dimensions of internal organisational structure and external purpose illustrate the distinct divergence and convergence among myriad organisational types and activities labelled as SE.

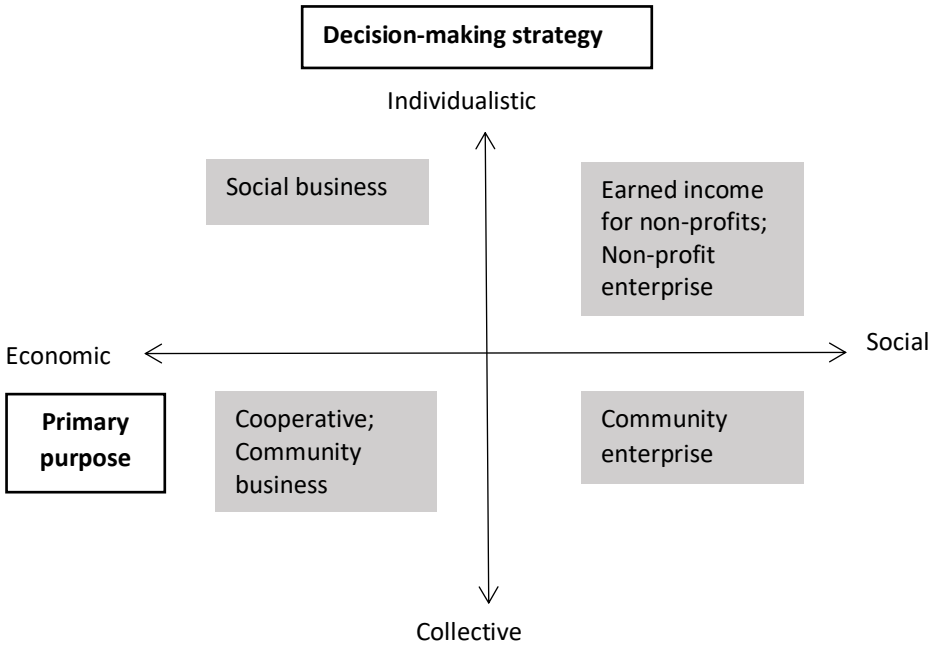

Figure 2.3: Conceptualising social enterprise organisational forms and discourses (Teasdale, 2010a; 2012)

The section above has discussed the numerous explanations for SE's emergence, the diverse conceptualisations and definitions, and the variety of organisational types and activities that are labelled as SE. Even in the US and mainland Europe, where the language of SE was first used, the academic debate around the term is still ongoing (Teasdale, 2012) over whether the term should be used as a *verb* referring to income generation (Dees, 1998a) or as a *noun* referring to the organisational unit (Spear, 2001). This precisely shows that SE is a fluid and contested concept, constructed into different things by different people (Ridley-Duff & Bull, 2016; Teasdale, 2012). This thesis does not intend to go deeply into the dispute about conceptualising or defining SE, though reviewing the ongoing debate has helped the researcher to untangle the conceptual confusion around SE. This thesis aligns itself with commentators' appeals for a multi-perspective to understand SE's theory and practice (Ridley-Duff & Bull, 2016). It recognises that SE is an umbrella term encompassing organisations which combine social and business objectives, but may differ in their organisational structures and operate in different areas of economy (Steiner & Teasdale, 2017).

Furthermore, recent research on SE has advanced new theories to analyse its organisational activities and managerial practices (Chew & Lyon, 2012; Doherty et al., 2014), which results

in new knowledge about SE's management and performance in achieving the twinned missions. Particularly, the term 'hybrid organisation' has been mentioned by many scholars to depict SE's pursuit of a social mission, whilst engaging in commercial activities to generate income to carry on the operations (Battilana & Dorado 2010; Battilana & Lee, 2014; Doherty et al., 2014). The following sections will address these new developments and attention now turns to the existing literature regarding SE's hybridity.

2.3 HYBRID NATURE AND RELATED CHALLENGES IN SOCIAL ENTERPRISE

2.3.1 Hybrid organising in social enterprise

At the analytical level, hybridity is concerned with structural elements in resources, goals, governance and corporate identity (Evers 2005; 2008; Evers & Laville 2004b). Billis (2010) argues that organisations in the public, private and third sectors abide by certain principles set by the sectors. The author further explains that organisations in the private sector are owned by shareholders, governed by shared ownership, driven by individual choice, staffed by paid employees and resourced by sales and fees. Organisations in the public sector are owned by the citizens, governed by public elections, driven by collective choice, staffed by paid public servants and resourced by taxation. Organisations in the third sector are owned by members, governed by private elections, driven by distinctive missions, staffed by paid employees and volunteers, and resourced by dues, donations and legacies. Hybrid organisations are thus multi-sector phenomena that may emerge between any of the two or three sectors (Billis, 2010). Table 2.3 presents the integration of the principles of three sectors, with the four structural elements of hybridity. Viewed from the perspective of structural elements, SE intertwines 'social aims, some degree of state-public support, entrepreneurial spirit and community roots' (Evers, 2008:286).

Table 2.3: Principal structural elements in organisations of three sectors (adapted from Billis, 2010:55)

Structural elements	Organisations in the private sector	Organisations in the public sector	Organisations in the third sector
Resource	Sales, fees, paid employees	Taxes, paid public servants	Dues, donations, legacies, members, volunteers and paid staff
Goal	Achievement of market forces and individual choice	Achievement of public service and collective choice	Achievement of commitment about distinctive mission(s)
Governance	Shareholder ownership	Public elections	Private elections
Corporate identity	Managerially controlled firm	Legally backed bureau	Association

Hence, the notion of 'hybrid organisation' has been taken up to denote organisations, such as SEs, that operate at the intersection points of the state, the third sector, the community and the market (Doherty et al., 2014; Evers, 2008; Tracey, Phillips, & Jarvis, 2011). Battilana and Lee (2014) also undertook an analysis of hybridity at the organisational level. In addition to Billis' (2010) structural elements, which highlight the internally oriented aspects of hybrid organising, Battilana and Lee (2014) have further explored the externally oriented aspects of hybrid organisation, including hybrid organisations' relationships with various actors in their environments. The authors thus define hybrid organising as:

> '…the activities, structures, processes and meanings by which organisations make sense of and combine aspects of multiple organisational forms' (Battilana & Lee, 2014:403).

Agreeing that SE is a 'ready-made laboratory to study a creative variety of hybrid' (Billis, 2010:13), Battilana and Lee (2014) regards SE as a typical example of hybrid organisation that combines organisational forms of business and charity (Mair & Marti, 2006; Galaskiewicz & Barringer, 2012).

To articulate how SEs may hybridise dual missions, Alter (2006) has identified three major archetypes that show different levels of integration between SEs' social and business activities (see Figure 2.4). The first type is called 'embedded SE', where business and social missions are to be achieved simultaneously (Alter, 2006). Alter (2006) explains that the target population in the social mission is primarily involved in the business activity, such as being the business customer or the workforce in the business activity. The second type is 'integrated SE', in which the social and business sides overlap in terms of sharing costs, assets and/or human resources (Alter, 2006). SEs of this type generate business income to financially support the overall operation and the social mission. Meanwhile, the social side can support the business side, as SEs commercialise social services/products, accumulate expertise and/or bring social fame to the organisation (Alter, 2006). Social and business goals are in alignment in both embedded and integrated types of SE, meaning that the social benefit increases with the success of the business side and vice versa (Teasdale, 2012). The third type is 'external SE', in which the business side merely funds the social side (Alter, 2006). Although SEs' social goals are also achieved with business success in this type, unlike embedded and integrated SEs, external SEs do not necessarily pursuit social benefit in their business activities. The accomplishment in the social mission does not directly serve the business success and this type is usually employed by private firms to initiate corporate social

responsibility or by charities to generate non-mission-related revenue (Alter, 2007; Lyon et al., 2010; Teasdale et al., 2013).

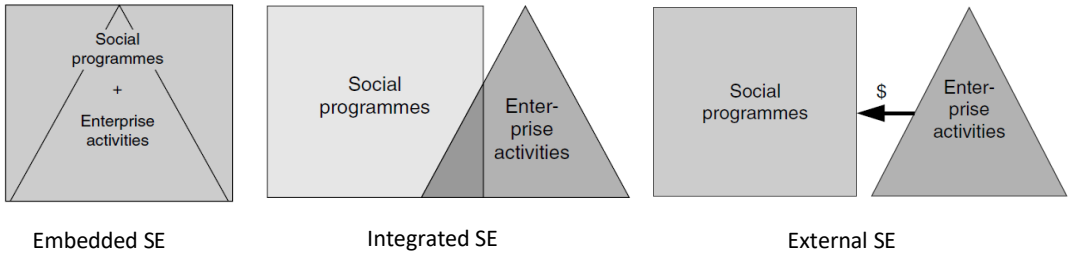

Figure 2.4: Social enterprise models (Alter, 2006:212-213).

2.3.2 Challenges of organising hybridity in social enterprise

Straddling different sectors and intending to create multiple values through its organisation, SE provides a lens for scholars to understand hybrid organising. At the same time, concerns are raised around SE's integration of divergent and sometimes conflicting organisational norms and values from different sectors, i.e. 'business' and 'charity' (Battilana & Lee, 2014; Greenwood et al., 2011). To sustain itself, a SE has to balance income and expenditure through business activities, while achieving social missions (Powell & Osborne, 2015). Dees and Anderson (2003) cited Adam Smith's (1776) view and argued that there is an inherent tension between pursuing profit and serving a social objective simultaneously. Commentators have agreed that the tension in balancing social objectives with business activity is a circumstance common among SEs, but should not be ignored (Bull, 2007; Moizer & Tracey, 2010; Nyssens, 2006; Russell & Scott, 2007). While early writing on SEs was dominated by positive discourse and successful cases (Parkinson & Howorth 2008), some scholars have advocated for the imperative to probe struggles and challenges for SEs to achieve their twin objectives, which underlies a solid understanding of SEs' experiences (Scott & Teasdale, 2012; Seanor & Meaton, 2008). Questions are thus raised about if SEs actually face substantial challenges of organising hybridity. If so, what challenges are there and what causes the challenges?

Existence of challenges

The existing literature presents three streams in the academic exploration for the challenges of organising hybridity in SEs. The first stream regards initial efforts to confirm if there are challenges for SEs to organise the hybridity of dual missions. This stream of research focuses on introducing failed SE cases. Seanor and Meaton (2008) found that financial

mismanagement appeared to be the determinant cause that eventually led SEs to dissolution; nonetheless, underneath that, uncertainty and ambiguity around what SE meant prevented SEs from the opportunities to access resources. Hybrid organising allows ambiguity in SEs' language to describe what they do under different circumstances, whereas it also causes misunderstanding and confusion about SEs' real ethos and practices, and their actual ability to generate commercial income. This ambiguity disadvantaged SEs when gaining access to support and resources from organisations that did not trust SEs, while it also misled resource holders to withdraw support, as they believed that SEs were financially self-sufficient on commercial revenue alone (Seanor & Meaton, 2008). Moreover, the authors found that SEs lacked trust in resource holders too, since some resource holders saw failure as a taboo and refused to support SEs when failing (ibid). This study primarily manifests that SEs can fail for deep social reasons rooted in hybrid organising (Pearce, 2003). However, Scott and Teasdale (2012) argue that the experiences of managing failing SEs are sometimes problematic for researching SEs' failure, since people tend to attribute the failure to external factors, while understating issues within organisations (Mellahi & Wilkinson, 2004). From the single immersed case of a failing SE, Scott and Teasdale (2012) unfolded the complex relationships between the internal and external factors associated with failure. It was found that the political environment, desperate for a successful story, brought SEs numerous funding opportunities, which counteracted SEs' problems of lacking market opportunities, covered SEs' financial incompetence to generate commercial revenue and disguised SEs' poor governance over various social projects. The authors argued that such a political environment aggravated SEs' struggle against social, economic and political influences (Scott & Teasdale, 2012).

Types of challenges

Studies on SEs' failure draw attention from 'good practice' to the struggles undergone by SEs. It is obvious in these studies that combining both social and business norms poses challenges to SEs' persistence. Nonetheless, due to the difficult access to large samples of failed SEs (Scott and Teasdale, 2012), exploring failure cases alone seems insufficient to create more detailed knowledge about the challenges for SEs. The second stream seeks out which challenges there are in SEs to organise hybridity, such as the negative implications exerted by hybrid organising on SEs' management (Doherty et al., 2014). Austin, Stevenson and Wei-Skillern (2006) compared SEs with organisations engaged in traditional entrepreneurial practices and found that there were many commonalities between the two groups. However,

they argued that due to the 'core social value proposition', SEs were unique in mission, financial resource mobilisation and human resource mobilisation, and in practice, the social side distracted resources allocated to the business side. Challenges for SEs were thus proposed by the authors based on these three aspects of deviation, including conflicts between economic growth and a long-term social impact strategy; difficulties to measure social performance to demonstrate accountability for resource providers; and severe constraints when attracting the talent.

Austin et al. (2006) proposed that there was a challenge for SEs to keep the balance between business growth and a long-term social impact strategy. SEs are actually found conscious and anxious to retain the distinctiveness from mainstream business (Phillips, 2006). They are cautious about the extent to which they can follow the logic of market, while avoiding constraint on social innovation (Tomás Carpi, 1997) and latent damage to the social causes that they serve (Phillips, 2006). To an extreme degree, SEs' extensive focus on advancing social causes grows a reluctance within the organisation to be engaged in business growth, even when SEs have the potential and opportunity to build up their trading activity (Vickers & Lyon, 2014). For voluntary and non-profit organisations, SE activity is seen as a *paradigm innovation* that stimulates entrepreneurial approaches to fund their activities, while retaining their social causes (Chew, 2010). SE is supposed to generate sufficient revenue to sustain the business activities and invest in social causes (Moizer & Tracey, 2010). Whereas, being commercially viable is not beneficial to all the social causes in voluntary and non-profit organisations that adopt SE activity. Dart's (2004a) empirical case study showed that a non-profit organisation applied business-like service delivery models to its community financial counselling services, due to the need to generate revenue. In order to increase service volume and efficiency, the organisation had to decline hard-to-serve clients with mental health issues, because they required more service input and hindered the organisation from expanding income. These studies, while illustrating the challenge of balancing social and business missions, pose two everlasting suspicions about whether SEs are able to play business to generate sufficient commercial revenue or that they are business amateurs, merely playing with business (Chapman et al., 2007); and whether SEs may sacrifice social objectives to become commercially viable (Brandsen & Karre, 2011; Pache & Santos, 2013).

Engaging in both social and business activities, SEs measure their success by both social impact and economic performance (Dees & Anderson, 2006; Kerlin, 2006; Salamon, 1999;

Young, 2001). In contrast to relatively tangible and quantifiable approaches to determine economic performance, measuring social impact remains underdeveloped and debatable. Complex, subjective and unquantifiable elements of social change are not easily defined and SE practitioners adopt different measurements to illustrate their social achievement, without common ground (Bull, 2007; Flockhart, 2005; Johanson & Vakkuri, 2018; Nicholls, 2009; Paton, 2003). Therefore, the blended performance is another challenge for SEs, which hinders them from communicating their benefits and impacts clearly to resource holders to gain necessary resources (Austin et al., 2006). Unable to associate social impact with commercial benefit, general commercial institutions tend to deny SEs' access to finance and investment for poor financial performance (Hynes, 2009). In addition, customers are critical resource holders from whom SEs generate income. However, Hynes' (2009) case study research indicated that SEs also had difficulties conveying the blended performance to their customers too. SEs were found reluctant to charge certain prices for customers with a lower ability to pay. This downplayed the significance of financial performance to social achievement, which caused issues in SEs' financial management, such as cash flow difficulties (Hynes, 2009). In the markets that play up economic value, SEs may be punished anyway for poor financial performance, regardless of achieving their set social missions or not (Austin et al., 2006).

The comparison shows that SEs and traditional commercial businesses have considerable differences in the demand of human resources for success (Austin, 2006). There are more difficulties for SEs to recruit and retain paid staff (Austin, 2006; Hynes, 2009). The most significant difficulty is that SEs' commitment to social causes occupies the financial resources that SEs can use to pay wages (Austin, 2006). Especially in small and resource-constrained SEs, conditions which apply to most SEs (Bridgstock, Lettice, Özbilgin, & Tatli, 2010), financial resources are limited when being able to afford a competitive remuneration package to attract talent (Austin, 2006; Hynes, 2009; Oster, 1995). Additionally, career progression is often absent in SEs, which further renders employment in SEs less serious and inferior to that in mainstream businesses and discourages ambitious employees from staying in the position in the long term (Hynes, 2009). Due to the commitment to social causes, SEs are also differentiated from commercial businesses, in terms of seeking talent that not only have commercial competence, but also knowledge of specific social problems or needs (Austin, 2006; Liu & Ko, 2012). While commercial businesses present their reputations and capabilities to attract people to work with them (Hart, Stevenson & Dial, 1995; Sahlman,

1996), SEs motivate and attract people with specific social problems or needs. This further narrows down the pool of talent that SEs can access. Moreover, SEs that focus on integrating marginalised groups back into employment tend to provide in-house job opportunities to the long-term unemployed and individuals with low working skills (Nyssens, 2006). However, unlike commercial businesses that directly recruit fully trained employees, these SEs need to invest resources in training the workforce first (Doherty et al., 2014). This unintentionally increases SEs' cost of human resources, but does not necessarily lead SEs to obtain talent.

A further study on SEs' challenges by Spear et al. (2009:261) informed that SEs encountered challenges in governance that strongly resonated with the ones in voluntary and non-profit organisations, whilst SEs' commercial and entrepreneurial activities 'often frame them in distinctive ways. The distinct governance challenges in SEs include:

> '…finding and developing board members with the necessary business, financial and entrepreneurial skills and experience; deciding the right legal and governance structures for combining entrepreneurial activity with a social mission; managing diverse stakeholder interests in (increasingly) multi-stakeholder governance systems; balancing business and commercial decisions with the social mission of the organizations; developing and professionalizing board roles in small and growing social enterprises' (Spear et al., 2009:270).

Spear et al.'s (2009) study explained that SEs lacked people with the right skills to serve on the board, since SEs usually were small and operated in disadvantaged communities, where the access to skilful people was limited. Some scholars, however, added that unlike commercial businesses paying remuneration to their boards, the voluntary nature of the board in SE also discouraged people with the right skills to get involved (Cornforth, 2014; Smith, 2010; Stone & Ostrower, 2007). Mason's (2010) empirical study shows that the legal form determines the governance structure of SE, which sequentially affects the relationship between SE and its stakeholders. In SEs aiming to involve stakeholders' input in governance, a legal form that promotes individualistic and hierarchical structure detracts from social benefit to stakeholders and presents problems for SE management (Mason, 2010). Besides, it is evidenced in SE cases that not all board members represent the interest of the social mission (Lyon & Humbert, 2012). This then puts board members under pressure to control management and to consider balancing the dual missions, while assuring accountability to multiple stakeholders around SEs (Doherty et al., 2014). Lumpkin, Moss, Gras, Kato and Amezcua (2013) further summarised that the complexities in choosing the appropriate governance structures, managing diverse stakeholders' interests and balancing governance decisions are in fact interrelated challenges in SEs. Besides, Spear et al. (2009) uncovered

that newly established SEs particularly tended to neglect governance arrangements, whilst all the attention was drawn to implementing business ideals and social missions. This, however, raised concerns from SEs' resource providers, such as funders and contractors, over their broader issues of transparency and accountability.

This section has discussed four aspects of SEs' management, where the negative implications of hybrid organising have been identified: challenges of balance between business growth and a long-term social impact strategy; challenges of mobilising financial resources; challenges of mobilising competent human resources; and challenges of implementing proper governance. Building on the primary description of the broad impact that hybrid organising brings about across SEs' management, scholars have made efforts to inquire about the latent patterns among the challenges and explain why challenges arise. Primary inquiries into challenges and SEs' stakeholders have been conducted and shed new light on why there are challenges for SE to organise hybridity. Now attention turns to the third stream of research on the reasons for SE's challenges.

Sources of challenges

The third stream of research accounts for the reasons and causes of challenges in SEs. Dart (2004b) attempted to make sense of SE by evaluating whether SE's hybridity normatively conformed to societal, ideological and political dynamics. However, he found that the tangible outcomes that SEs were able to present affect the acceptance and support the SEs received from key stakeholders. SEs have multi-stakeholders (Campi, Defourny, & Gregoire, 2006). Empirical studies have also pointed out that the operation of SEs involves much effort from individuals from local communities, beneficiary groups, volunteers and business customers, alongside the individual founding entrepreneurs (Shaw & Carter, 2007; Spear, 2006). SEs are often required to manage relationships with multiple stakeholders and to embrace a collective structure in the operation (Shaw & Carter, 2007). Additionally, SEs are expected to meet the diverse demands raised by multiple stakeholder groups (Bridgstock, et al., 2010). Nicholls (2010a) reasons that the way SEs combine the dual missions exerts crucial impact on stakeholders' perceptions of SE legitimacy and he further implies that this affects resources that stakeholders are willing to provide to SEs.

As Spear et al. (2009) have suggested, a significant theme in the challenges of governance is the conflict between maintaining relationships with existing stakeholders, who represent the

distinctiveness inherited from the origins, while adapting to new stakeholders who join SEs to develop paths for the governance structure (see Table 2.4). They have revealed that the origins of SEs engage groups of initial stakeholders around the organisations. Whereas, the paths of development towards SEs affect the way that the organisations construct their governance structures and influence the engagement of new stakeholders in SEs' governance. To preserve the hybrid organising, SEs have to create proper governance structures that accommodate both the initial and new groups of stakeholders.

Table 2.4: Governance challenges in different types of SE (adapted from Spear et al., 2009)

Types of SE	**Governance challenges**
Mutual	• To attract members with appropriate business skills to serve on boards • To maintain membership involvement and commitment, even under domination by professionals
Trading charity	• To choose an appropriate governance structure to accommodate both charitable and business activities • To balance business and commercial decisions with the social mission of the organisations
Public sector spin-off	• To choose an appropriate legal form and governance structure • To manage diverse stakeholder interests in multi-stakeholder governance systems • To manage contracting relationships
New-start social enterprise	• To pay attention to governance arrangement required by funders and contractors

Doherty et al.'s review paper (2014), on the other hand, has followed the Austin et al.'s (2006) framework to investigate the challenges for SEs to organise hybridity in three themes. Nonetheless, Doherty and his colleagues further elaborated on the tensions associated with these challenges by extending the research on how hybrid organising affects SE's management, in terms of mission achievement and resource mobilisation (see Table 2.5). The summary of tensions, while echoing Spear et al.'s (2009) argument of dealing with multiple stakeholders, further highlights that the challenges interrelate to the friction and conflict between SEs and their stakeholders, and among these stakeholders.

Table 2.5: Implications of SE hybridity (adapted from Doherty et al., 2014:428)		
Distinctive features	**Challenges**	**Tensions**
Mission	• To achieve business and social goals • To manage the demands of multiple stakeholders and maintain legitimacy • To develop relationships with partners with different logics	• Conflicting demands between needs of clients and needs of other stakeholders • Disagreements on priorities held by different groups • Ensuring mission does not drift away from multiple goal achievement
Financial resource mobilisation	• SEs may not be perceived as viable clients by mainstream financial institutions • Lack of understanding of SE and social value by those controlling access to financial resources	• The relative importance of earned versus other income • Ethical issues involved in access to different sources of income • Conflicting expectations and demands between different stakeholders • Operating under financial constraints
Human resource mobilisation	• Limited financial resources constrain SE salaries and wages • Skill shortages and lack of competences in combining social and commercial objectives • Attracting and retaining volunteers with appropriate skills	• Managing motivation and rewards of employees and volunteers • Volunteers not perceived to have skills and experience in some areas of service delivery • Selection process of board members to provide a balance of social and commercial expertise

In parallel, Battilana and Lee (2014) also conducted a review of SE's hybrid organising from the perspective of organisational theories. Highlighting stakeholders' diverse and conflicting demands for SEs' social and business objectives (for example, Battilana & Dorado, 2010; Jay, 2013; Pache & Santos, 2013), Battilana and Lee (2014:409) see SEs walking 'a fine line between the institutional spheres of the business and charity sectors'. The authors further conclude that the challenges in SEs arise from external tensions in 'managing relations with a bifurcated organisational environment' and internal tensions in 'managing organisational identity, resource allocation and decision-making' (Battilana & Lee 2014:409). Table 2.6 shows a summary of challenges that Battilana and Lee drew up from the existing literature and the tensions that they used to explain the challenges.

Table 2.6: Challenges and corresponding tensions in SE (adapted from Battilana and Lee, 2014)	
Challenges	**Tensions**
• Selecting an appropriate legal incorporation that aligns with SE's objectives • Acquiring necessary resources for resource providers who do not completely understand SE's objectives • Facing strategic retaliation from incumbent organisations that see SE as a threat to existing organisational forms	External tensions in managing relations with a bifurcated organisational environment
• Coordinating a common sense of objectives among organisational members • Allocating limited resources among activities to fulfil social or business mission • Reconciling disagreement over resource allocation among organisational members	Internal tensions in managing organisational identity, resource allocation and decision-making

Although these three works have explained the reason for the challenges in SEs from different points of view, they have all contributed to understanding the challenges of organising hybridity. Developed upon the early assertion of 'tensions between social and business missions', these pieces of literature have discovered that multiple stakeholders' diverse and conflicting demands for SE's social and business objectives can cause tension in SEs and give rise to challenges.

2.3.3 Current literature on social enterprise's strategies for challenges

In contrast to the understanding of challenges in SEs that has been pushed forward, i.e. a novel attempt to integrate different organisational norms from the three sectors, little is known about how SEs deal with the challenge of organising hybridity (Battilana & Dorado, 2010). Facing multiple stakeholders, Seanor and Meaton (2008) found a 'chameleon-like' strategy among SEs who manipulated their economic and social missions under different covers of being a voluntary organisation, a private organisation or a SE. For stakeholders that emphasised a social purpose, these SEs prioritised the social mission, while for those who valued a robust business, they highlighted the business activities. Teasdale's (2010b) study on SE's impression management similarly revealed SEs' multifaceted nature. He found that internal stakeholders depicted SEs differently, while SEs utilised these different portraits to align with external stakeholders' strategic interests and to access resources. These findings have preliminarily demonstrated SEs' capability to comprehend what multiple stakeholders want and to adopt certain strategies, such as token adaption to stakeholders' demands to

obtain resources in the short-term. Doherty et al. (2014) argue that hybrid organising creates challenges for SEs but, at the same time, it stimulates SEs to develop various strategies to manage conflicting demands from stakeholders. They presume that SEs can solve the challenges of organising hybridity if they acknowledge and determine trade-offs between social impact creation and profit maximisation; seek alternative and mixed finance streams; and involve a blended workforce, in terms of paid and unpaid jobs, and a workforce of different knowledge and skills. Likewise, Battilana and Lee (2014:399) have proposed five dimensions in which SEs can develop good practice of hybrid organising. They suggest SEs pay attention to the integration of social and business activities; the variety of hiring approaches; organisational design in organisational structure, incentives and control systems and governance; building inter-organisational relationships; and raising the organisational culture of hybrid organising within SEs.

While these studies provide an initial understanding of how SEs deal with multiple stakeholders, they also expose a significant lacuna in the empirical study on SE's long-term dynamics of balancing the tensions among multiple stakeholders and achieving social and business missions (Young, 2012; Young, Kerlin, Teasdale, & Soh, 2012). Despite the theoretical frameworks, Doherty et al. (2014) recognise that there is a need to extend the existing research on what management processes facilitate SE's creative and innovative responses to challenges in hybrid organising. Battilana and Lee (2014) also point out that there is a gap in knowledge about the creativity and unique possibility in an understudied area in SE's hybrid organising, regarding the generative possibilities in SE. More research has been called upon to explore which strategies SEs adopt to tackle the challenges in management that are posed by hybrid organising and to what extent SE is able to mitigate the tension and eventually achieve its dual missions (Battilana & Lee, 2014; Doherty et al., 2014; Young, 2012). The discussion about the existing literature on challenges around SEs' hybrid organising has highlighted a gap in the knowledge of if and how SEs can manage the challenges, which leads the research direction of this thesis to explore SEs' responding strategies to challenges.

Linkages between SE and the public management literature have recently been made within the upward trend of collaboration between organisations operating in or between the public, private and voluntary sectors to fulfil the unmet gaps in public service delivery (Osborne & Brown 2005). Supported by various public policies, SE has become a rising phenomenon

among individuals and communities which are encouraged to undertake the role to alleviate social problems and provide public services, while the government starts to withdraw from this role (Roy et al., 2015; Nicholls, 2010b; Steiner & Teasdale, 2017). The following section will explore if SEs' involvement in public service delivery offers a suitable context in which to study the gap in SEs' organisational activities and managerial practices when tackling challenges.

2.4 MANAGING SOCIAL ENTERPRISES INVOLVED IN PUBLIC SERVICES DELIVERY

2.4.1 The rise of social enterprise in public services delivery

From the perspective of public service management, the origin of SE is linked with the changing landscape of public services delivery. Since the late 1970s, the New Public Management (NPM) reforms have spread a new discourse of market-like approach to the provision of public services in most Anglo-Saxon countries (Bourgon, 2007). This caused huge changes in the preceding welfare state, where the state played the role of a professional service provider to meet citizens' needs, 'from the cradle to the grave', as stated by the Beveridge Report (Osborne, 2010:3). In the NPM reforms, the state, at both central and local levels, was then responsible for creating, planning, financing and regulating public services through public policy process, while the provision was carried out by a range of public service organisations (PSOs) located in or between the public, third and private sectors (Rao, 1991; Osborne & Strokosch, 2013).

The NPM reforms have shown a move from seeing the state as a unitary planner and service provider towards the concepts of the plural state, where the planning, management and provision of public services involve a variety of actors (Osborne & McLaughlin, 2002). More recently, an alternative discourse for public services management, the New Public Governance (NPG) (Osborne, 2006; 2009; 2010) captures the inter-organisational relationships between multiple interdependent actors and processes that are involved in the policy-making and public services delivery. It captures the pluralist nature of public service management and an ever-changing landscape in public service provision in the present day (Harris, 2010; Pestoff & Brandsen, 2010). PSOs interact and collaborate with each other in the public service/good 'market', which breaks down the traditional boundaries between the three sectors and creates space for hybrid organisational forms, like SE, to emerge (Evers, 2005; Brandsen et al. 2005; Pestoff & Brandsen, 2010; Mulgan, 2006; Nicholls, 2006). More recently, a growing number of scholarly works have identified SE as a popular tool to address

'wicked social problems' (Head & Asley, 2015; Hoppe, 2010) in hybrid governance arrangements that combine and coordinate various policy instruments and governance models (Koliba, 2019; Koppenjan, Karre & Termeer, 2019).

The current public management literature shows two opposite views on hybrid organising among PSOs. On one hand, the positivity of hybrid organising is discussed and SE has been seen among PSOs as an adaptive response to the changing landscape of public services delivery. Enterprising and trading, merger, expansion and diversification of services are the ways PSOs in the third sector conform to a public policy environment that appreciates large organisations to deliver large public service contracts (Milbourne, 2013). By exploiting market activity to fund social advancement, the hybridity in SE is considered as a unique combination of resources and capabilities (Johanson & Vakkuri, 2018). Empirical research has indicated that PSOs from the third sector, that successfully hybridise their organisation by engaging SE practice, tend to secure a favourable financial situation for survival (Milbourne, 2013). Therefore, developing SEs is seen as a conscious strategic decision for some PSOs to adapt to an increasingly competitive and uncertain environment, whilst the commercial benefits from SEs can be exploited to enhance and preserve PSOs' original assets and resources (Chew, 2010).

On the other hand, however, doubts about hybrid organising among PSOs question SEs' contributions to public services. Di Domenico, Tracey and Haugh (2009) criticise that the promotion of SE among PSOs is based on its ability to generate commercial income, whilst generating revenue from delivering public services, may undermine SEs' core social purpose, due to the pressure to reduce the cost of public service provisions. Calò, Teasdale, Donaldson, Roy and Baglioni (2018) suggest in their review work on SEs' contribution to the health and social care sector that SEs do deliver services of enhanced outcome in a pluralistic environment for publicly funded services. These descriptive case studies are used by policy documents to exemplify successful SEs and justify SEs' ability to substitute existing PSOs (Calò et al., 2018). They argue that there are actually insufficient grounds to argue that SEs can provide better services when they compete for public service contracts with other kinds of PSOs.

Straddling the public, private and third sectors, SEs delivering public services hybridise the structural elements of these well-established sectors (Battilana & Lee, 2014; Doherty et al.,

2014; Powell & Osborne, 2015; 2019). With the changing landscape of public service delivery, SE provides communities and individuals with a different pathway from what PSOs located in one single sector or straddling two sectors may offer, to tackle social problems (Dey & Teasdale, 2015; Powell et al., 2019). SE is claimed to have more control over its financial resource than 'traditional' third sector organisations that rely on funding grants to provide public services (Mair & Marti, 2006). There is also an argument for being more socially oriented than for-profit organisations that aim to maximise profits for shareholders (Madill, 2015; Powell & Osborne, 2018). Additionally, the engagement with the public sector makes SE consider generating value for a collective citizenry in the process of public service delivery (Osborne & Strokosch, 2013; Strokosch & Osborne, 2017). Combining the structural elements of different sectors, however, causes SE to deviate from each sector at the same time, which in turn causes tensions and challenges for SE (Greenwood et al., 2011; Powell et al., 2019). Doubts have been raised whether the hybrid nature results in fundamental challenges that could prevent SEs from becoming ideal and sustainable PSOs (Mason & Doherty, 2016). For instance, Teasdale (2012) has discovered that most SEs providing work integration services to homeless people have to keep a balance between social objectives, commercial considerations and sometimes commitments to homeless people. Powell and her colleagues have found similarly that most SEs delivering social care services are not able to satisfy social quality and business service quality simultaneously, while organising their hybridity (Powell & Osborne, 2015; 2018; Powell et al., 2019). These existing studies suggest that SEs delivering public services are likely to encounter particular challenges that traditional PSOs in the private sector or in the third sector may not confront. However, there is a lack of critical study into the questions of what challenges there are and how SEs handle them (Powell et al., 2019).

2.4.2 Social enterprise's challenges in delivering public services

Public services, like any other kinds of service, are consumed simultaneously when they are delivered (Osborne & Strokosch 2013). Service users' reaction becomes an instant demand for new services, which directly affect following delivery of services (ibid). Osborne, Radnor, Vidal and Kinder (2014) further argue that the sustainability of public services derives from the transformation of user knowledge and experience, via the inalienable co-production with service users in the delivery. Therefore, the ability to predict and adapt to service users' new demands is key to the continuity of public services delivery. However, public services delivery often involves multiple stakeholders and end-users, which causes PSOs to confront and even

struggle with different perceptions of satisfactory service (Osborne, 2018). This resonates with the SEs' challenge of managing multiple stakeholders in hybrid organising.

A few empirical studies demonstrate that SEs initially engage service users and other key stakeholders in the delivery of public services, while discussing the benefit of such engagement. For instance, in Simmons' (2008) research on SEs of New Leisure Trusts, different levels of user/community representation were observed in SEs' service delivery. Although it remained unclear how to take a further step to formalise the stakeholder engagement, it was broadly recognised in the researched cases that the engagement existed and affected the service delivery positively. Simmons (2008) argued that the engagement of a range of stakeholders has contributed to raising the synergy between SEs and local authorities in providing public services. The benefit was particularly evidenced in the policy interest to continue utilising SEs in service delivery. Furthermore, Fazzi (2012) found in the empirical study that SEs were able to motivate multiple stakeholders in the decision-making process, through activities like consultation. This helped SEs to identify the community's service needs, inform a wide range of stakeholders about organisations' activities and encourage stakeholders to innovate with the organisations. He thus asserted that SEs willing to engage multiple stakeholders were more sensitive to services gaps, more transparent in information flows and more attentive to innovation, which benefitted them to motivate diversified resources in the service delivery (Fazzi, 2012). Interactions with stakeholders give SEs the 'potential to empower and integrate people' (Lloyd, 2004: 192).

Despite the empirical evidence of SEs' engagement with multiple stakeholders to understand their social needs, Powell and Osborne (2015; 2018) found that SEs still encountered significant challenges to become *sustainable* public service providers. Their findings showed a pivotal problem in SEs' delivery of public service, that SEs' business approach did not reflect organisations as service organisations to key stakeholders, including public service users, intermediate agencies and local communities. The authors found that most SEs in their research did not recognise the significance of enhancing the service experience to build relationships with stakeholders, which prevented stakeholders' consistent use of the services and thus hindered long-term financial income from the services to sustain organisations' operations and social purposes (Grönroos, 2006). Instead, these SEs tended to ignore stakeholders' experience in using services and confine their businesses to pursuing short-term transactional income, through selling services as products. Indeed, the only cases in

their research that showed the potential to be financially sustainable were SEs that underlined the quality of service experience. In this regard, Powell and Osborne (2018:13) concluded in their study that most SEs were not sustainable PSOs and did not possess the capability to address multiple stakeholders' diverse demands for SEs' social and business objectives.

In a further study that explored how SEs involved in public services delivery organise hybridity, Powell et al. (2019) identify that understanding the needs of multiple stakeholders and involving them in the service delivery are the key routes for SEs to become sustainable in the long-term. Moreover, using Battilana and Lee's (2014) framework of hybrid organising, Powell et al.'s (2019) empirical study suggests that SEs can potentially become sustainable PSOs and successfully organise their hybridity, by focusing on three areas of hybrid organising, which are diversifying income streams, delivering services of social impact and service quality and using a hybrid workforce. Although this study has advanced the exploration in SEs' organisational activities and managerial practices, the authors call for further research to add knowledge of organisational strategies and processes for good hybrid practice (Powell et al., 2019).

2.4.3 Summary and emerging gaps in social enterprise's challenges and strategies

The exploration of literature has revealed that SEs face challenges of organising hybridity due to the diverse and conflicting demands from multiple stakeholders. SEs among PSOs, however, seemingly confront similar issues of attending to various stakeholders' demands in the process of public services delivery. While SEs have been increasingly promoted within the public service landscape, the concept of SE and the overall viability of SE is still relatively understudied in the public service context, which needs more critical investigation. In the main, this thesis draws upon and contributes to the SE field. Nevertheless, it can be strengthened by incorporating appropriate areas of public service management, following the debate around whether SEs can be sustainable PSOs and under which conditions. However, some pivotal points need to be clarified before this thesis sets the research on SEs' strategies to tackle challenges in the context of public services delivery.

The review of literature has shown the convergence of challenges in hybrid organising and public services delivery, regarding multiple stakeholders' demands. However, there are also key differences between the challenges in these two fields, regarding the conflicting nature

and the instantaneity of demands. The prior studies have demonstrated clearly that in hybrid organising, multiple stakeholders hold their own tactical interests in SEs' social and business objectives (Teasdale, 2010b) and therefore, SEs have to encounter trade-offs and compromises in meeting stakeholders' conflicting demands (Doherty et al., 2014). In the literature of public service management, although stakeholders' have diverse perceptions of what 'good service' is (Osborne, 2018), PSOs can be sustainable by building long-term relationships with stakeholders, under the condition that PSOs maintain a high standard of service quality that consistently meets or exceeds stakeholders' expectations (Grönroos; 1981; Wirtz & Lovelock 2018; cited by Powell et al. 2019). Thus, in the challenges of organising hybridity, stakeholders' demands of SEs tend to be divergent, whereas there is convergence in SEs' challenges of delivering public services, in terms of stakeholders' common demands for high-quality services.

Secondly, the nature of service underlies SEs' challenges of delivering public services. As discussed in public service management, the delivery of public services is undertaken during the interactions between PSOs and service users (Osborne & Strokosch, 2013). Thus, it is not easy for SEs to anticipate unpredictable situations and respond appropriately (Ouchi & Johnson, 1978), unless a service-oriented culture (Grönroos, 2011) is in place to guide SEs to deal with different situations with pre-agreed responses (Schneider, 1990; Schneider, Ehrhart, & Macey, 2013). Meeting stakeholders' demands for public services is challenging, since it requires instant response from SEs when services are being produced. Nonetheless, the challenges of organising hybridity do not highlight the urgency of response, according to the existing literature. On the contrary, the current research suggests that SEs need to spend time and resources to develop strategies and processes to tackle the challenges in hybrid organising (see Battilana & Lee, 2014; Doherty et al., 2014; Jay, 2013). Hence, the challenges in public service delivery are urgent in nature and require SEs' instant responding strategies, whilst the challenges of organising hybridity require SEs to take the long view.

These differences are of particular relevance to this thesis' focus on exploring SEs' strategies and processes to tackle challenges, given that being PSOs, SEs confront two types of challenges that share certain commonalities, while also differing in several aspects. Powell et al. (2019) have primarily found that the emphasis on the high quality of services, including social quality and quality service, contributes to SEs' sustainability as a PSO and good practice of hybrid organising. Nonetheless, the extant literature does not articulate if SEs' strategies

for the challenges of organising hybridity work on the challenges in public services delivery and *vice versa*. Therefore, SE's involvement in public service delivery offers an interesting and suitable context to investigate SEs' organisational activities and managerial practices in tackling different types of challenges and whether their responding strategies can lead to the synergy to solve the challenges.

In order to progress our understanding of the extant knowledge of SE's challenges and responding strategies, the next chapter will consider the organisational capacity to tackle challenging conditions and the concept of organisational resilience will also be looked at.

2.5 CHAPTER SUMMARY: GAPS AND RESEARCH QUESTIONS

This chapter has explored the concept of SE from three aspects: diverse conceptualisations of SE, challenges for SE to organise hybridity and challenges for SE to deliver public services. This chapter has identified several unsolved issues in SEs' organisational activities and managerial practices for tackling challenges. These are the issues that this thesis aims to address.

Given the ongoing debate around the conceptualisation and definition of SE, which this chapter has outlined, this thesis accepts a multi-perspective understanding of SE's theory and practice. However, for the purpose of operationalising the concept of SE in the field, a working definition of SE is adopted. The working definition has drawn key elements from the literature:

> SE is an umbrella term encompassing a range of organisational forms and activities that are definitely characterised with *the primacy of social aims* and *the primary activity involves trading goods and services*; and hybridise elements from the public, private and third sectors to pursue a social mission, whilst generating income through business activities to essentially support the social mission and the operation.

This definition incorporates the perspective that sees SE as a new organisation form evolving from existing organisations (Defourny & Nyssens 2010; 2012), with the perspective that sees SE as an activity that creates both social and economic impact (Dees, 1998a; Emerson & Twersky, 1996). While the definition captures the social aim and business mission, the two most basic and explicit characteristics across the diverse conceptualisations (Peattie & Morley, 2008), it acknowledges SE's hybrid nature to combine these two diverse and sometimes conflicting elements (Battilana & Lee, 2014; Billis, 2010; Doherty et al., 2014).

Finally, this definition adopts the concept that SE reinvests the income earned from business activities into the social mission, rather than maximising profit for shareholders.

The review of literature on SE's organisational activities and managerial practices has revealed that there is a wide array of challenges in SE when organising hybridity, especially facing stakeholders' diverse and conflicting demands for its social and business missions. In contrast to the deep exploration to understand SE's challenges, little is known about SEs' responding strategies and to what extent their strategies can deal with the challenge of organising hybridity. Thus emerged the first research gap that this thesis aims to address. This chapter further considered the context of public service delivery, where SEs have been increasingly involved. From the perspective of public service management, SEs as PSOs confront challenges to meet stakeholders' demands for good service. Although multiple stakeholders' demands are found to be at the centre of challenges for SE to either organise hybridity or deliver public services, the review of literature has demonstrated some differences, i.e. the conflicting nature and the instantaneity of demands between the two types of challenge. This thesis thus argues that public services delivery provides an interesting and suitable context to examine the patterns of SEs' organisational activities and managerial practices, in light of a variety of challenges that require different responding strategies. Hence, the first two research sub-questions emerge:

> SQ1: How do challenges arise in SEs involved in public services delivery?
> SQ2: What capabilities and strategies do SEs develop to respond to challenging conditions?

The second part of the review will discuss the literature on organisational resilience, to integrate the lens of organisational resilience and the questions that this thesis seeks to address. Now attention turns to the origin of resilience and the concept of organisational resilience.

CHAPTER 3

LITERATURE REVIEW PART II: ORGANISATIONAL RESILIENCE

3.1 INTRODUCTION

The first part of the literature review has focused on the concept of SE, the emerging research interest in SEs' challenges and the knowledge gap in how SE tackles these challenges. It has highlighted the imperative to conduct a thorough investigation into the challenges in SEs' operation and whether and how SEs manage to tackle these challenges.

The second part of the review will focus on the specific literature regarding organisational resilience, a concept that explains why some organisations survive and thrive under various challenging conditions, while other organisations fail. This chapter will start by reviewing the expansion of the resilience theory, revealing how resilience as a concept in ecological studies has been applied to organisation studies. It then proceeds to review the nature of organisational resilience and how it can be achieved. As discussed in Chapter Two, SEs delivering public services face a number of challenges, due to the hybridising of the structural elements of the three sectors. These challenges are characterised as complex, unpredictable and of high impact. This chapter will elaborate on why the concept of organisational resilience provides an appropriate lens through which to investigate the challenging conditions faced by SEs and SEs' responding strategies.

The main aim of this chapter is to introduce the theoretical foundations that underpin the approach to examining SEs' organisational activities and managerial practice in response to challenges. It intends to justify the relevance of organisational resilience to this research and the implications it has on SE research. This chapter is therefore central to the development of the thesis.

3.2 THE ORIGINS OF RESILIENCE

Deriving its original meaning from Latin, resilience is related to the capability of an object to return to a stable state after a disturbance (Bhamra et al., 2011). It is generally recognised that the theoretical ecologist, Holling, first introduced the term 'resilience' into ecological studies and underpinned the resilience theory (Gunderson, 2000; 2010; Cretney, 2014). The term resilience is later used in social-ecological and social domains, appearing in a wide range of research fields, including socio-ecology (e.g. Carpenter, Walker, Anderies, Abel, 2001; Folke et al., 2002; Walker et al., 2002); individual psychology (e.g. Masten, 1994; 2001); community recovery from disasters (e.g. Norris, Stevens, Pfefferbaum, Wyche, & Pfefferbaum, 2008) and organisation studies (e.g. Lengnick-Hall, Beck & Lengnick-Hall, 2011; Sutcliffe & Vogus, 2003; Burnard & Bhamra, 2011). In spite of diverse contexts, the concept of resilience remains related to responses to disturbances (Bhamra et al., 2011).

3.2.1 Ecological resilience versus engineering resilience

Holling (1973) notices that theoretical and empirical ecology at the time was largely dominated by the application of classical physics and engineering, which claimed that there was only one static stable state in ecological systems. The single stable state assumes that once a disturbance occurs, ecological systems attempt to return to the pre-disturbed state efficiently. Holling (1973) criticises that the large application of a single stable state in ecological systems is more of a perceptual convenience, while the behaviour of ecological systems is often non-linear, more complicated and more meaningful than one single ideal state. The author further explains that, in the real world, very few ecological systems are self-contained, homogenous and barely affected by external fluctuations. It means that there are numerous variables that influenced the stable state. Whereas, the viewpoint of 'retaining stability' of the pre-disturbed state narrows the research on ecological systems' response to disturbances by ignoring the dynamics of ecological systems (Holling, 1973:16). Reviewing previous papers on changes in ecological systems, Holling (1973, 1996) has discovered *a domain of stability*, within which ecological systems manage resources and reorganise themselves in order to persist and function, even during disturbances. He therefore introduced the term *resilience* into ecological studies.

> *Resilience determines the persistence of relationships within a system and is a measure of the ability of these systems to absorb changes of state variables, driving variables and parameters and still persist. (Holling, 1973:17)*

Holling's (1996) further work has clarified stability and resilience, two notions that are then termed *engineering resilience* and *ecological resilience* to explain how systems respond to disturbances that threaten their persistence (Gunderson, 2000; Walker et al., 2002). Engineering resilience emphasises the single stable state and the measurement of engineering resilience is concerned with the time length within which systems can return to the stable state after a disturbance (Holling, 1996). In this manner, a system is resilient if it undergoes the disturbance, but can quickly restore its previous state. Ecological resilience, on the other hand, accepts multiple stable states. It assumes that systems can move to different stable states under disturbances by slightly adjusting themselves, while ensuring their normal functions. The measurement of ecological resilience is thus concerned with the amount of disturbance that a system can absorb before it is forced to fall off the stability domain (Holling, 1996). In this manner, a system is resilient if it can enlarge the capacity to absorb disturbances, in order to mitigate the negative impact of disturbances. Figure 3.1 illustrates the differences between these two notions of resilience.

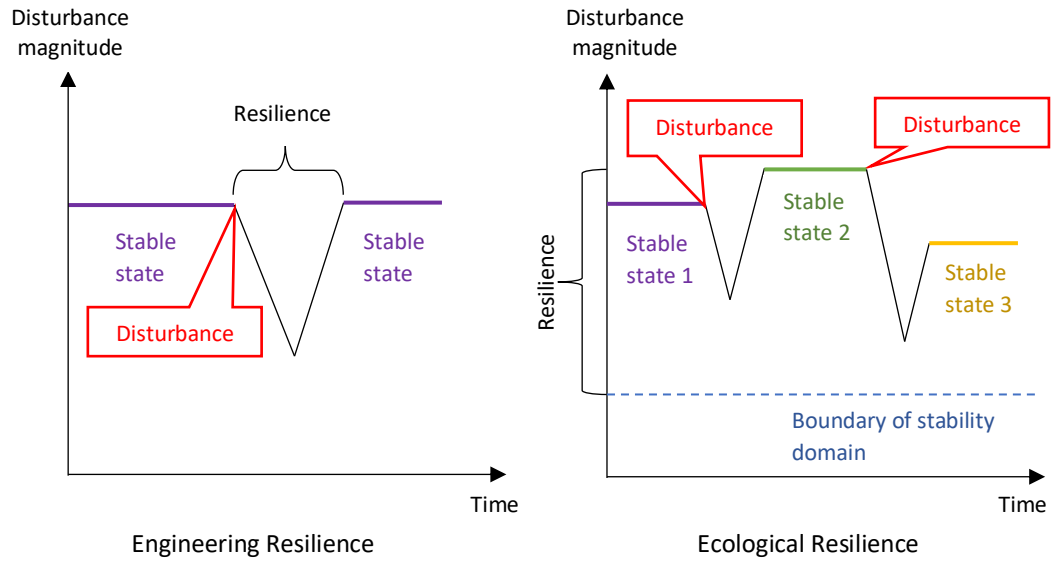

Figure 3.1: Engineering resilience and ecological resilience (adapted from Adger, 2000: 350; Holling, 1996)

Although these two notions refer to different meanings and measurements of resilience, they do not necessarily contradict each other. Rather, they represent two perspectives of resilience (Gunderson, 2000). Gunderson (2000) argues that engineering resilience well serves the systems that are designed to have one single goal, since it ensures the integrity of

a design (Holling, 1996). Nonetheless, if multiple stable states exist in a system, the ecological perspective of resilience is more suitable to illustrate how the system responds to disturbances (Gunderson, 2000).

In recent years, interactions between humans and nature have drawn much attention in the research on ecological systems (Folke, 2006). Studies on socio-ecological systems have begun to explore how to make ecological systems more resilient from disturbances caused by human interference. Ecologists have found that the traditional approach of 'command and control' fails, because it is based on rigid science and technology to predict and push ecological systems back to the stable state by controlling target elements in ecological systems (Holling & Meffe, 1996; Ludwig, Hilborn & Walters, 1993; Holling, Gunderson & Light, 1995). This is a typical misuse of the approach that worked for engineering resilience to increasing ecological resilience. The 'command and control' approach neglects the dynamic nature of ecological systems. The control over target elements actually leads to the evolution of other elements in the same systems (Gunderson, 2000). A group of scholars thus attempted to apply the concept of ecological resilience to study human interference that threatens the persistence of ecological systems.

3.2.2 Application of ecological resilience to the domain of social sciences

To understand how ecological resilience can be enhanced, Carpenter and his colleagues have compared resilience properties in two contrasting socio-ecological systems (Carpenter et al., 2001). The authors have uncovered a relationship between socio-ecological systems' ability to stay in the stability domain and the ability to slowly adapt themselves to disturbances. Carpenter et al. (2001) find that the adaptive capacity is driven endogenously and manifests in the system's process to rearrange itself around a new condition caused by disturbances. The system learns and accumulates solutions to various conditions of disturbance and thus enlarges its capacity to absorb disturbances. These findings echo Holling's (1987) early assertion of ecological resilience that disturbances are not anomalies that systems strive to remedy or remove. Instead, disturbances provide the conditions to underlie the dynamics of systems (Cote & Nightingale, 2012).

The research on socio-ecological systems stimulates the academic interest in exploring the concept of resilience in social domains, to understand how groups, communities and organisations handle disturbances (Adger, 2000). A number of scholars have compared social

systems with ecological systems. Admitting the essential differences in behaviour and structure though, Adger (2000) discovers that prior studies in human geography, human ecology and ecological economics have demonstrated that similarities between social and ecological systems do exist (see Zimmerer, 1994; Levin et al., 1998). Social and ecological systems are interconnected by synergistic and evolutionary relationships (Norgaard, 1994), while both systems 'behave in non-linear ways, exhibit marked thresholds in their dynamics' (Folke et al., 2002: 437). Therefore, scholars argue that resilience in social domains maintains its root in the ecological resilience, closely related to the capacity to absorb disturbances, rather than bouncing back to the exact pre-disturbed state (Folke, 2006; Norris et al. 2008; Walker, Anderies, Kinzig & Ryan, 2006; Cretney, 2014; Cote & Nightingale, 2012; Adger, 2000).

Cretney (2014) presents a comprehensive review of resilience literature (see Table 3.1) and concludes that adaptive capacity appears to be a critical element in different conceptualisations of resilience in social domains. The adaptive capacity refers to a system's self-adjustment during disturbances, in order to remain in the current stability domain (Folke, 2006; Nelson, Adger & Brown, 2007; Walker & Salt 2012; Walker, Holling, Carpenter & Kinzig, 2004). The adaptive capacity involves learning from disturbances and storing lessons from prior experience, so as to enhance the ability to prepare for adaption to further disturbances (Engle 2011; Folke, Colding & Berkes, 2003).

Table 3.1: Various conceptualisations of resilience (adapted from Cretney, 2014:629)

Notion	Description	Citations
Engineering resilience	The efficient stability of a system state	Gunderson, 2000; Holling, 1996
Ecological resilience	The ability of a system to absorb disturbance, before moving to a new stability domain	Holling, 1973
Socio-ecological resilience	The interplay of factors involved in recovering from disturbances, re-organisation and the development of socio-ecological systems.	Adger, 2005; Berkes, 2007; Folke, 2006; Gunderson, 2010; Norris et al., 2008
Social resilience	The capacity for groups, communities and organisations to cope with external disturbances resulting from social, political and environmental change	Adger, 2000
Community resilience	A process of adaption in a community following a disruption, distinguished by factors such as social capital and community competencies	Chaskin, 2008; Cutter et al., 2008; Norris et al., 2008
Urban resilience	The network of structures, processes, infrastructure and community identity that both manages extreme stress and evolves into a more desirable state following a disturbance	Godschalk, 2003; Gunderson, 2010; Norris et al., 2008

Over the past few years, the concept of resilience has gained increasing academic interest in studying why some organisations are more capable to respond and recover quickly under challenging conditions and continue achieving desirable outcomes, in spite of adversities (Burnard & Bhamrah, 2011; Linnenluecke, 2017; Sutcliffe & Vogus, 2003; Vogus & Sutcliffe 2007). No organisation is completely self-contained and organisations are dependent on external environments (Pfeffer & Salancik, 2003). The interchange with external environments is thus 'an essential factor' that underlies an organisation's viability (Buckley, 1967:50). The ever-changing environments provide organisations with opportunities, but they also present natural disasters, economic and social turbulences that challenge organisations' operations and threat their incumbency (Burnard & Bhamra, 2011; Burnard et al., 2018). The term 'resilience' is then used at the organisational level to distinguish organisations that can overcome challenging events from those that fail to. Before this chapter proceeds to discuss how resilience is conceptualised and defined at the organisational level, the review will look at what composes challenging conditions that are confronted by organisations.

3.2.3 Challenging conditions

Challenging condition is a collective name for situations that exert undesirable implications on organisations' operations (Vogus & Sutcliffe, 2007). Challenging conditions are borderless in nature (Smith & Fischbacher, 2009). They encompass adversities external to organisations, which are caused by natural or man-made disasters, increasing competition, demands from stakeholders and so forth (Sutcliffe & Vogus, 2003). They also include adversities internal to organisations, which are caused by poor leadership, unsuitable governance or production pressure (Sutcliffe & Vogus, 2003), for example. Regardless of the scale of events, these challenging conditions give rise to unpredictable changes that increase the complexity of organisations' external environments (Boyne & Meier, 2009) and intensify the internal strain to compromises organisations' normal operations (Rudolph & Repenning, 2002).

Challenging condition is sometimes used interchangeably with uncertainty, risk (Burnard & Bhamra, 2011), perturbation, stress, hazard (Gallopín, 2006) and threat (Staw, Sandelands & Dutton, 1981). However, these words are different to a degree about the undesirability of a situation. Scholars refer uncertainty to future events in internal and external environments that organisations are incapable of predicting (Duncan, 1972; Pennings, 1981; Pfeffer & Salancik, 2003). Milliken (1987:136) further explains that since no one understands 'how

components of the environment might be changing', organisations lack information to recognise the significance of environmental changes and are thus vulnerable to uncertainty. More specifically, organisations' strategic planning is paralysed by uncertainty, due to insufficient information (Milliken, 1987). Hence, uncertainty brings risk to organisations (Waters, 2007).

Gallopín (2006) has made an effort to spell out the relationships between hazards, perturbations and stress and how they arouse undesirable implications for organisations. It has been argued that perturbations and stress are conducive to hazards which threaten organisations' persistence (Gallopín, 2006; Turner et al., 2003). In detail, Gallopín (2006) remarks that stress grows slowly and continuously inside organisations with small deviations from normal functioning. Perturbations are triggered by changes in external environments to organisations, alterations inside organisations or the interaction between internal and external factors (Turner et al., 2003; Young, 2010). Furthermore, perturbations often appear in the form of major shocks (Gallopin, 2006).

Staw et al. (1981:502) summarise that threat is 'an environmental event that has impending negative or harmful consequences' for organisations. A threat can arise from resource scarcity, intense competition, reduced market and such conditions in organisations external environments, while they affect organisations' internal functioning, including information processing, decision making and resources mobilisation. They further argue that threat is the 'driving force' behind most of the events that the term *crisis* tries to cover, since a threat affects organisations' survival, leaves limited time for organisations to react and is unpredictable (Hermann, 1963; Staw et al., 1981).

Scholarly efforts have been made to account for challenging conditions that put organisations at risk. Although the explanations and illustrations do not entirely conform to one another, the overlaps and differences underlie three major attributes of challenging conditions. Firstly, challenging conditions are often unpredictable and organisations have limited information to understand them. This increases the difficulty for organisations to prepare for challenging conditions, since organisations only get to know about them in hindsight (Burnard & Bhamra, 2011). Secondly, challenging conditions arise from the accumulation of minor interruptions and deviations, but happen as a sudden outburst of shocks, which allows organisations little time to react (Rudolph & Repnning, 2002; Gallopín, 2006). Thirdly, challenging conditions are

triggered by factors internal and external to organisations, which complicates the information for organisations to process. These attributes illustrate the borderless nature of challenging conditions which manifest in events of a wide range of scale and causes.

As discussed in Chapter Two, SEs delivering public services face a number of challenges due to the hybridity of social and business missions. These challenges are characterised as complex, unpredictable and of high impact. The focus of organisational resilience on tackling challenging conditions thus provides an appropriate lens to investigate the challenging conditions in the SE context and SE's responding strategies. To explore the concept of resilience at the organisational level in more detail, the following section will concentrate on reviewing the existing conceptualisations and definitions of organisational resilience.

3.3 RESILIENCE IN THE ORGANISATIONAL CONTEXT

3.3.1 Conceptualising organisational resilience: a trait or a process?

Discrepancies among different conceptualisations of resilience come to light as the term resilience is being used increasingly across disciplines (Sutcliffe & Vogus, 2003). In the organisational context, the early literature on organisational resilience seem to ramify in two streams: one perceives the term as what organisations do to tackle adverse circumstances; and the other perceives it as the specific characteristics processed by organisations that manage to survive adverse circumstances (Sutcliffe & Vogus, 2003). This is not a unique phenomenon, as it has been found in other research areas outside the organisational context. The debate is especially noticeable in the literature of psychological resilience at the individual level. One significant discrepancy in conceptualisations of resilience is between seeing the term as a set of traits or a dynamic process to overcome disturbances and challenges. The debate was brought about by the confusion between 'resiliency' and 'resilience' (Luthar, Cicchetti, & Becker, 2000). Psychologists Jeanne Block and Jack Block (1980) refer to *resiliency* as a personal characteristic that includes general resourcefulness, sturdiness and flexibility of functioning under various and even adverse circumstances. In these authors' opinion, *resiliency* is concerned with an inherent personal attribute that an individual possesses, irrespective of exposure to substantial adversities or not (Luthar et al., 2000).

A number of scholars disagree with this conceptualisation, arguing that referring resiliency to an attribute unwittingly claims that some individuals can never achieve resiliency, since

they simply do not have this attribute (Luthar et al., 2000). Additionally, scholars point out that this conceptualisation has overlooked the processes and interventions that underlie resiliency when adversities happen (Luthar et al., 2000; Masten, Best & Garmezy, 1990; Reynolds, 1998; Tarter & Vanyukov, 2002). To distinguish the connotation of process, Masten (1994) suggests using the term *resilience* exclusively to illustrate a dynamic developmental process to tackle adverse circumstances. Her later investigations further demonstrate that when individuals tackle great adversities against their development, resilience arises from ordinary functions of individuals' adaptive processes, rather than from the special qualities that a personal characteristic encompasses (Masten, 2001).

Organisational resilience is often implicitly used to describe instances when an organisation 'unexpectedly survives or thrives' (Sutcliffe & Vogus, 2003:99). There is similar confusion about the nature of organisational resilience, as that is in the psychological discipline (Bhamra et al., 2011). Following the debate around resilience in the psychological discipline, Sutcliffe and Vogus (2003) argue that the 'bottom line' of research on organisational resilience is to clarify the misleading conception which assumes it is a set of remarkable traits that organisations either have or not. Organisations essentially interact with dynamic environments. Comfort, Sungu, Johnson and Dunn (2001) have identified that the increasing complexity of environments, in the form of disasters, challenges or adversities, negatively affects organisational performance. Organisations are required to intensify information flow, communication and coordination more than usual, so as to integrate multiple levels of operation and decision-making into a coherent response to challenging conditions. However, the authors find that the increasing complexity of external environments undermines organisations' capabilities to fulfil these tasks. These findings were further demonstrated in Norris et al.'s (2008) empirical studies, which showed that organisational resilience was concerned with the process that linked resource to outcome. Aligning with the empirical evidence in prior studies on resilience, this thesis follows the proposition that research on organisational resilience should focus on the processes that organisations use to respond, amidst adverse circumstances (Sutcliffe & Vogus, 2003; Vogus & Sutcliffe, 2007).

3.3.2 Defining organisational resilience

The studies by Staw et al. (1981) and Meyer (1982) are acknowledged as the starting point of research into organisational resilience in the business and management literature (Linnenluecke, 2017). These scholars examined how organisations responded to disturbances

caused by challenges in external environments and explore which organisational processes successfully or unsuccessfully tackled challenges. Interestingly, the two studies have developed contrasting propositions regarding organisations' responses. Staw and his colleagues argue that challenges in external environments put organisations at risk and organisations should therefore rely on well-learnt knowledge and routines that have been reinforced in the past, to deal with any disturbances (Staw et al., 1981). They disagree on allocating resources to seek organisational adaption to new environmental conditions posed by challenges. They argue that adaption requires changing prior routines. However, organisations may lose function and even fail if the adaptive practices do not work properly. In comparison, rigidity may lead the organisation to maladaptation to new environmental conditions, but the consequence is better than failure.

Contrarily, Meyer (1982) argues that changing routines enables organisations to weather challenging conditions. In an empirical study that investigates hospitals' strategies to tackle physicians' strikes, Meyer (1982) finds that all the hospitals have adjusted their routines, such as consuming financial reserves, reducing staffing and reallocating budgets and human resources. Although the degree of adaption varies, due to the hospitals' antecedent strategies, structures, ideologies and amount of slack resources, the adaptive practices have enabled all the hospitals to mitigate the negative impact of disturbing strikes and retain normal medical services. Some hospitals have even utilised the strike as an opportunity to experiment with new practices and gained new managerial experience from this disturbing event. The author thus concludes that organisations do not always resist change in light of challenges. In fact, organisations manage to benefit from challenges by reacquainting themselves with new environments and inspiring new practices (Meyer, 1982).

Staw et al. (1981) and Meyer (1982) did not explicitly probe the concept of resilience in the organisational context (although Meyer has used the term 'resilience' in business and management literature for the first time), but their works have paved the way for following scholars to link up organisations' responses to challenging conditions and organisational resilience (Linnenluecke, 2017). Table 3.2 provides an overview of various definitions of resilience that have been mentioned in the studies on organisations' responses to challenging conditions.

Table 3.2: An overview of various definitions of resilience in organisational context (adapted from Linnenluecke, 2017:22).		
Author	**Focus on investigation**	**Definition of resilience**
Staw et al. (1981)	Organisational responses to external threats	Staw et al. focus on rigidity (rather than resilience), defined as the tendency toward well-learned or dominant responses, possibly leading to maladaptive outcomes under conditions of threat.
Meyer (1982)	Strategic change in hospitals facing doctors' strike	'Resiliency occurs when responses create negative feedback loops that absorb jolts' impacts and loosen couplings between organizational and their environment.' (p520). Resiliency was operationalised 'in terms of the number of weeks needed to restore seasonally normal levels of surgery and occupancy' (p521).
Sutcliffe & Vogus (2003)	Organisation's maintenance of positive adjustment under challenging conditions	Organisational resilience refers to '(a) the ability to absorb strain and preserve (or improve) functioning despite the presence of adversity, (b) an ability to recover or bounce back from untoward events' (p96).
Hamel & Valikangas (2003)	Organisation's capacity for continuous reconstruction during turbulent times	Resilience refers to an organisation's 'ability to dynamically reinvent business models and strategies as circumstances change.' (p53). 'This includes continuously anticipating and adjusting to changes that are threatening the core of the organisation, and to change before the need for change becomes desperately obvious.' (p54).
Gittell et al. (2006)	The differences between airline companies that recovered successfully and struggled after the September 11 attacks	Resilience refers to '(a) the maintenance of positive adjustment under challenging conditions, (b) the ability to bounce back from untoward events, and (c) the capacity to maintain desirable functions and outcomes in the midst of strain. Resilience is a dynamic capacity of organizational adaptability that grows and develops over time.' (P303).

As the definitions have shown, rigidity is rarely associated with organisational resilience. The only occasion is when organisations are unable to change or changes jeopardise organisations' survival (Mamouni Limnios, Mazzarol, Ghadouani & Schilizzi, 2014). For instance, Davies and Thomas (2003) have stated that rigidity contributes to preserving pivotal organisational culture in light of a challenge to change. Based on their research on the UK police service, the authors reveal that the traditional culture of competitive, masculine subjectivity in the police service is challenged by the partnership and problem-solving approaches promoted by the NPM. The police service has thus inhibited the enactment of NPM reforms, to ensure the legitimacy of the existing performance regime. More commonly, however, resistance to change is termed maladaptation and considered as perverse resilience (Holling, 2001). This will be returned to later in the chapter.

These definitions also manifest two perspectives on *organisational resilience* (Lengnick-Hall et al., 2010). One perspective regards organisations' ability to *bounce back* to the state prior to the challenging conditions. The other perspective looks beyond restoration and advocates for organisations' capability to capitalise on challenging conditions and adapt accordingly, to develop new practices. These two perspectives on organisational resilience respectively resonate with the notions of engineering resilience and ecological resilience that have been discussed earlier. The perspective of *bouncing back* emphasises coping strategies and efforts to avoid dysfunction or regression (Lengnick-Hall et al., 2011). It assumes that the performance level before the disturbance by challenges is the sole and the most desirable state for organisations. Hence, organisations should quickly resume these levels. Bouncing back, however, is questioned by a few scholars. Harrison (2012) finds that sometimes, the pre-disturbed state is already critical and bouncing back means going back to 'the crisis before the crisis' (Hossain, Fillaili & Lubaale, 2010). Similarly, Manyena, O'Brien, O'Keefe and Rose (2011) argue that bouncing back is associated with reinforcing the existing structures that are actually vulnerable to challenging conditions. Instead of seeing the pre-disturbed state as desirable, these scholars imply that existing organisational structures create the internal factor that induces the vulnerability to the challenge. Therefore, the organisation needs to change in order to pull through the challenging conditions. In addition, Paton and Johnston (2017) comment that *bouncing back* fails to capture the new conditions brought by challenges and neglects the potential opportunities in changing environments. Crises sometimes become windows of opportunity for organisations to recognise how vulnerable they are to the challenge and improve existing structures to prepare for challenges in the future (Gallopín, 2006; Young, 2010). The perspective of building capability to adapt emphasises drawing lessons from challenging conditions and fostering a stronger organisational repertoire of actions than in the pre-disturbed state (Lengnick-Hall et al., 2011).

Moreover, scholars remind us of the changing nature of environments and challenges for organisations to change. Examining proliferating performance slumps in big companies, Hamel and Valikangas (2003) have found that challenging conditions and consequential disturbances change faster than the time organisations need to resume the previous performance level. These findings indicate a huge difficulty for organisations to return to the pre-disturbed state before the next wave of challenges. The argument has further underpinned that bouncing back does not help with organisations' vulnerability to challenges.

Rather, the authors underline organisations' sensitivity toward change and suggest organisations keep up with changes and be prepared for future challenges (Hamel & Valikangas, 2003). Vogus and Sutcliffe (2007) later provide a more concise version of the definition, highlighting the consistency of adaption within the organisation. They refer organisational resilience to:

> …as the maintenance of positive adjustment under challenging conditions such that the organisation emerges from those conditions strengthened and more resourceful (p3418).

Vogus and Sutcliffe further explain that challenging conditions refer to not only exogenous shocks and ongoing strain, but also the accumulation of small interruptions that can compromise organisations. However, it remains blurry what the authors mean by 'positive adjustment' and 'strengthened and more resourceful'. In line with the conceptualisations that highlight enhancing organisations' repertoire for tackling current and future challenges, Burnard and Bhamra (2011) provide a definition to encompass the crucial elements that refer organisational resilience to an organisation's capacity for response:

> Resilience is the emergent property of organisational systems that relates to the inherent and adaptive qualities and capabilities that enable an organisation's adaptive capacity during turbulent periods. The mechanisms of organisational resilience thereby strive to improve an organisation's situational awareness, reduce organisational vulnerabilities to systemic risk environments and restore efficacy following the events of a disruption (p5587).

This definition stresses that understanding the dynamics of organisations' adaptive capabilities yields important information about an organisation's responding strategies under challenging conditions and disturbing circumstances. It resonates with Vogus and Sutcliffe's (2007) work, but adds more clarity. Burnard and Bhamra (2011) have spelt out that 'positive adjustment' concerns an organisation's constant adaption under challenging conditions. Whilst the organisation becomes stronger and more resourceful to tackle future challenges, owing to the increased situational awareness, reduced vulnerabilities and restored efficacy result from adaption.

Maladaptive processes are considered as the opposite and are barriers to organisational resilience (Sutcliffe & Vogus, 2003). Attention now turns to the existing discussion on maladaptive processes.

3.3.3 Maladaptive processes

Staw et al. (1981) assert that when facing challenges and adversities, organisations' strategies lead to two net results: a functional adaption to the environment or a maladaptive cycle, due to rigidity. However, the authors disagree with adaption under challenging conditions. They argue that adaption costs resources when resources are usually scarce under challenging conditions and adaption just might not work. They propose that any drastic change in external environments automatically put organisations at risk and therefore organisations tend to be defensive, relying on well-learned knowledge. From Staw et al.'s (1981) point of view, staying rigid means that organisations restrict information processing, constrict control and conserve resources. All are measures that hinder adaption. Given that well-learned responses are inappropriate under new conditions, organisations' maladaptation is predictable.

Staw et al. (1981) claim that rigidity is appropriate to tackle challenging conditions that do not involve major changes in the relationship between organisations and external environments. Nevertheless, this claim is overturned by Holling (2001), who notices that organisations often neglect small and slow changes and thus allow rigidity to accumulate. Accumulated rigidity within organisations will reach a point and become a crisis, by which time organisations have to undergo restructuring to survive (Holling, 2001). He adds that organisations are then caught in the rigidity trap, where maladaptive processes of rigidity, crises and restructuration reoccur. Rudolph and Repenning (2002) resonate with this argument by discussing the brittleness of organisations. They refer brittle organisations to those that accumulate small deviations from standard operating procedures. These organisations do not take any measures for deviation, since no failure has happened in normal routines. The authors comment that brittle organisations misinterpret the absence of failure as success. The rigidity undermines organisations awareness of preparation and thus makes organisations vulnerable when bigger deviations, beyond what normal routines can endure, happen (Rudolph & Repenning, 2002).

Sutcliffe and Vogus (2003) criticise Staw et al.'s (1981) argument for portraying maladaptive processes as *deterministic* and assuming rigidity as *a natural response* from organisations under challenging conditions. Furthermore, they comment that studies of organisation during adversities and challenges have been overemphasising the negative response and reaction from organisations, such as maladaptive processes. Organisational resilience

provides an alternative insight into organisations' adaptive strategies to tackle challenging conditions, which stands opposite to maladaptive processes resulting from rigidity. Burnard et al. (2018) explicate in their empirical research that two types of rigidity lead to maladaptive processes. Firstly, as Staw et al. (1981) have stated, organisations stick to prior routines, lacking the flexibility to develop responding strategies and are not prepared when challenging conditions occur. Secondly, organisations have proactive preparation for challenging conditions, whereas the detailed pre-designed plans leave limited room for modification. The plans are rigorous, especially under unpredictable conditions that are not considered by organisations. By following rigorous plans, organisations are not flexible enough to adapt and thus go down the route of maladaptive processes (Burnard et al., 2018).

3.3.4 Summary

This above section has reviewed current conceptual debates around organisational resilience. It has explicated that the concept of organisational resilience is concerned with organisations' constant adaption under challenging conditions, in order to enlarge the capacity to absorb current challenges and prepare for future challenges. As the literature review has shown in Chapter Two, SEs operate in complex environments, where multiple stakeholders can affect SEs' achievement of dual missions. It is interesting to explore SEs' responding strategies towards challenging conditions caused by different stakeholders. Do SEs consider some pre-disturbed state most desirable and therefore pursue rigidity to maintain organisational structures under particular challenging conditions? Or do SEs tend to adapt to specific changing environments and enhance their capabilities to absorb current disturbance and prepare for further challenging conditions? Borrowing organisational resilience as a theoretical lens, this thesis will make contributions to the SE literature by filling the gap regarding SEs' organisational activities and managerial practice when tackling challenges.

In order to progress our understanding of achieving resilience, the review now turns to consider which responding strategies develop organisations' capacity for organisational resilience and how organisations organise resilience from adversities and challenging conditions.

3.4 ACHIEVING ORGANISATIONAL RESILIENCE

The existing literature has recognised that organisational resilience comes to light at multiple levels (Linnenluecke, 2017). Sutcliffe and Vogus (2003) argue that organisations' processes

to achieve organisational resilience can be divided into three levels: individual, group and organisational levels. Perceiving people as the essential elements of an organisation, Sutcliffe and Vogus (2003) see organisational resilience embedded in individual members' knowledge, skills and abilities within the organisation. The authors therefore argue that organisational resilience emerges from individuals' collective competencies that enable organisations to respond to the current challenging condition, while continuously developing strategies to tackle potential ones in the future. This section will discuss the achievement of organisational resilience by looking at how organisations enhance individuals' competencies and how these competencies are coordinated at the organisational level, to develop strategies to tackle challenging conditions.

3.4.1 Enhancing individuals' competencies within the organisation

At the most basic level, individual resilience has been studied for a long time in the psychological domain. Individual resilience is the capacity for adaptability, positive functioning or competence following chronic stress or prolonged trauma, whilst individuals facing adversity are more likely to develop resilience when they have access to sufficient resources and are highly motivated to encounter adversity (Masten, 2001; Masten, Cutuli, Herbers & Reed, 2009). In the organisational context, nonetheless, individuals and their competencies are the resources that organisations have and utilise to tackle challenges (Sutcliffe & Vogus, 2003). Hence, how to enhance individuals' competencies and how to motivate them to apply competencies are pivotal keys to achieving organisational resilience.

Agreeing that individuals are the basic source of resilience in organisations, Lengnick-Hall et al. (2011) suggest that organisations' human resource management can significantly contribute to developing a capacity for organisational resilience. The authors have identified a set of organisational capabilities, routines, practices and processes, based on prior studies (Lengnick-Hall & Beck, 2005; 2009) and categorised them into three dimensions, which organisations can seek to strengthen through human resource management. The first is the cognitive dimension. Scholars argue that organisations need expertise, creativity and problem-solving ability from employees, whilst a shared understanding of tackling challenges and action is necessary within organisations to encourage employees to actively apply their competencies to tackling challenges (Coutu, 2002; Sutcliffe & Vogus, 2003; Weick & Sutcliffe, 2007). Lengnick-Hall et al. (2011) thus suggest organisations foster employees' cognitive foundations of grasping reality and forging flexibility, in addition to strengthening

organisations' overall competencies by recruiting new employees and upskilling existing employees.

The second dimension is the behavioural dimension. Lengnick-Hall and Beck (2005; 2009) have found that individuals' resourcefulness, counterintuitive agility and preparedness can be learned and developed through repetitive routines. These factors are claimed to be critical to achieving organisational resilience, as they enable individuals to provide organisations with creative, unconventional but strong proposals of strategies amidst adverse circumstances (Coutu, 2002; Lengnick-Hall & Lengnick-Hall, 2003). Besides, preparedness ensures that individuals keep updating information about organisations' changing environments and discarding obsolete information, which enables organisations to react quickly and consciously when challenging conditions occur (Lengnick-Hall et al., 2011). Lengnick-Hall et al. (2011) thus suggest organisations invest in activities, such as training, to enhance individuals' behavioural elements that contribute to organisational resilience.

The third dimension is the contextual conditions that promote interpersonal connections and resource allocation under challenging conditions (Lengnick-Hall et al., 2011). Lengnick-Hall and Beck (2003; 2005) find that a work environment that inspires individuals to take interpersonal risks, build interpersonal relationships and diffuse power and accountability facilitates the other two dimensions, and develops individuals' attitudes and behaviours toward organisational resilience. As discussed by Lengnick-Hall et al. (2011), the three dimensions in human resource management supplement each other to explore and forge individuals' expertise, raise their awareness to tackle challenging conditions and provide them with necessary resources and conditions to make responding strategies. The authors have further proposed a set of human resource policies that aim to increase organisations' capacity for organisational resilience (see Table 3.3).

Table 3.3: Human resource system components for developing a capacity for organisational resilience (adapted from Lengnick-Hall et al. 2011:249)		
Dimension of organisational resilience	**Desired employee contributions to organisational resilience**	**Proposed HR policies to develop organisational resilience**
Cognitive dimension	• Expertise • Opportunism • Creativity • Decisiveness despite uncertainty • Questioning fundamental assumptions • Conceptualising solutions that are novel and appropriate	• Selective staffing • Job security • Cross-functional work assignments • Broad recruiting sources • Continuous developmental opportunities • Teamwork • Group-based incentives • Continuous socialisation
Behavioural dimension	• Devising unconventional, yet robust responses to unprecedented challenges • Combining originality and initiative to capitalise on an immediate situation • Sometimes following a dramatically different course of action from that which is the norm for the organisation • Practicing repetitive, over-learned routines that provide the first response to any unexpected threat • Taking action and making investments before they are needed to ensure that an organisation is able to benefit from situations that emerge	• Experimentation (freedom to fail) • After action reviews/lessons learned • Open architecture • Human resource and coordination flexibility • Fitness/wellness • Broad job descriptions • Employee suggestions • Cross-departmental task forces
Contextual dimension	• Developing interpersonal connections and resource supply lines that lead to the ability to act quickly • Sharing information and knowledge widely • Sharing power and accountability	• Joint employee–customer teams and networks • Empowerment • Open communication • Results-based appraisals • User-friendly, accessible, integrated information systems

Moreover, Lengnick-Hall et al. (2011) argue that human resource management to enhance individuals' competencies alone does not develop organisational resilience, which is achieved through a multilevel collective interaction of individuals and units (groups) within organisations. When a challenging condition happens, organisations need to increase information exchange, communication and coordination, so as to integrate multiple levels of operation and decisions on tackling strategies (Comfort et al., 2001). Sutcliff and Vogus (2003) add that individual competencies are conveyed to the group level by effective

communication processes, so that groups recognise that they have the capability to formulate necessary responding strategies for organisational resilience (Bunderson & Sutcliffe, 2002). Pivotal factors that contribute to effective communication processes include the group's structure, coordination of activities, leadership, productiveness of strategy implementation and interactions between group members (Bandura, 1998, as cited in Sutcliffe & Vogus, 2003:103). The factors at the group level lead to the discussion on strategies and processes at the organisational level, to allow individuals' competencies to bring about organisational resilience under challenging conditions. To this, the review's attention now turns.

3.4.2 Organising for resilience

Dimensions in strategies for organisational resilience

Derived from the observation of ecological systems' adaption to significant disruptions, Holling (2001) states that to achieve organisational resilience, organisations follow a similar *adaptive cycle* that leads them to the adaption and learning from challenging conditions. Three properties that shape the adaptive cycle are identified by Holling (2001):

1. Wealth: resources that organisations have for change;
2. Controllability: the internal degree of flexibility that allows organisations to adapt; and
3. Organisations' adaptive capacity

The further explanation of the adaptive cycle indicates that when organisations accumulate adequate wealth, have low internal controllability and possess high adaptive capacity, they are likely to adapt and achieve organisational resilience from challenging conditions (Holling, 2001; Holling & Gunderson, 2002). The adaptive cycle resonates with the prior discussion that organisations need to acquire sufficient individuals' competencies as an important resource, to enable organisational resilience to emerge. It also points out that the achievement of organisational resilience depends on other conditions, including flexibility in organisations' internal governance and organisations' adaptive capacity. Nonetheless, it remains blurry about how these three properties can be consolidated into strategies and processes by organisations under challenging conditions.

Sutcliffe and Vogus (2003) have suggested three parallel dimensions to which organisations should pay attention when they create strategies and processes for organisational resilience

(see Figure 3.2). The authors state that organisations first need to reduce defensive perception under challenging conditions by reinforcing the ability to process broad information about challenges. Organisations are complex systems that can react to information in their environments and reorganise themselves accordingly (Andriani, 2003). However, Comfort et al. (2001) identify that events of high impact can increase the complexity of environments and therefore, negatively affect organisations' ability to process the amount and range of information required in order to develop responses. If organisations accept defensive perception and rely on prior information and knowledge, then they restrict information processing and end up with insufficient information to form responses to challenging conditions. This leads organisations to rigidity, instead of adaption (Staw et al., 1981). In addition, Vogus and Sutcliffe (2007) emphasise that information also consists of any deviations in organisations' operation, considering that serious challenges may arise from the accumulation of minor interruptions (Rudolph & Repenning, 2002). Processing such information facilitates organisations to be mindful of preparing for future challenges and potential changes in current challenging conditions (Weick & Sutcliffe, 2006; 2007).

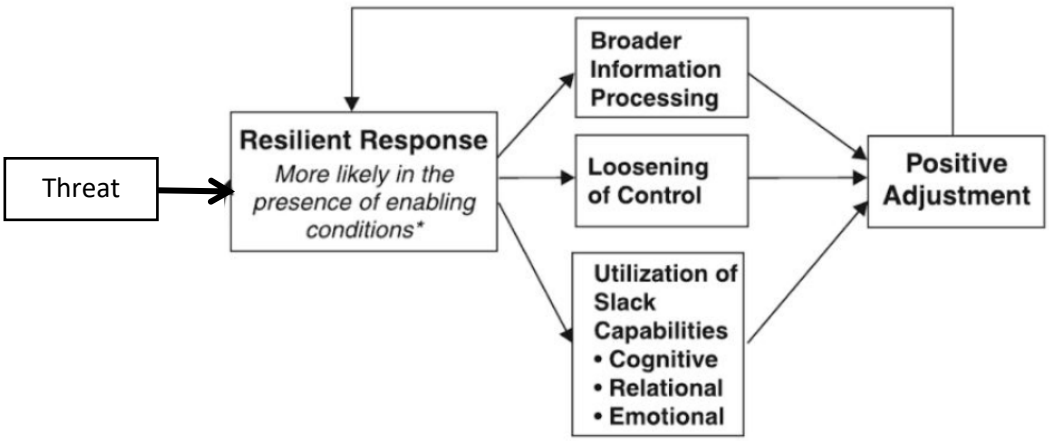

Figure 3.2: Resilient response to threat (adapted from Sutcliffe & Vogus, 2003:107)

The second dimension is concerned with how competent individuals within organisations get access to processing the information in order to create responding strategies. Sutcliffe and Vogus (2003:108) thus advocate for loosening control, to shift responsibilities for problem-solving and decision-making to 'those who have the greatest expertise with the problem at hand', regardless of rank. The authors remark that the flexible rearrangement of organisations is the key to transferring knowledge into solutions for challenging conditions. The flexible rearrangement is proposed for two reasons. First, flexibility encourages

individuals to question what is happening within the organisations when high-rank decision-makers do not have the necessary expertise to handle the challenging condition (Sutcliffe & Vogus, 2003). Thus, individuals with the expertise, rather than following instructions which they do not agree with and feigning understanding, are empowered to raise collective interventions in leaders' decisions and prevent organisations from making unhelpful strategies (Weick, 1993). Second, flexibility reinforces the use of ad hoc problem-solving networks, inspiring multiple perspectives to identify problems and passing problems towardz experts (Rochlin, 1989). This also accelerates the information exchange and improves organisations' capacity for information processing (Schulman, 1993).

The third dimension regards the utilisation of slack resources. Sutcliffe and Vogus (2003) remark that the achievement of organisational resilience is based on how organisations use slacks to restore efficacy. The literature has suggested that organisations' capability to adapt to changes in their environments is influenced by the slack resources amassed (Bourgeois, 1981). In particular, slack resources buffer organisations against external shocks (Thompson, 1967), stimulate organisations' adaption under challenging conditions (Cyert & March, 1963) and enable organisations to learn from the tackling experience (Hedberg, 1981). These functions are evidenced in Meyer's (1982) study, in which the studied hospitals facing a doctors' strikes deplete financial reserves to maintain normal operation, utilise slack human resources to remedy layoffs and reinvest slack to create agile governance to prepare for circumstances that require reallocated tasks, budgets and staff.

Gittell, Cameron, Lim and Rivas (2006) have similarly discovered a virtuous cycle of relational and financial reserves that facilitates organisations to tackle challenging conditions. Their findings show that organisations that successfully weather challenges benefit from relying on positive relationships to motivate members within the organisations and consuming financial reserves. These two factors not only help organisations to buffer disturbances brought by challenges, but also provide organisations with more slack resources to reinvest in strategies that increase more relational and financial reserves to tackle further disturbances. In addition, Sutcliffe and Vogus (2003) argue that the knowledge learnt from adaption experiences creates crucial resource that will reinforce organisations' current information processing and enrich organisations' repertoire to predict and tackle future challenges.

These three dimensions proposed by Sutcliffe and Vogus (2003) shed light on how organisations can develop their processes and strategies to realise organisations' adaption for organisational resilience, based on individual competencies. Their proposition has complemented Holling's (2001) adaptive cycle by illustrating the interplay between the three properties of resource, internal controllability and adaptive capacity. Strategies to strengthen information processing weaken organisations' defensive perception of challenging conditions, whilst raising organisations' cognition to utilise competent individuals to increase adaptive capacity. Processes to relax internal control allow competent individuals to access information and question current strategies, which further decreases the defensive perception and increases adaptive capacity. Strategies to take advantage of organisations' slack resources, including financial resource, human resource and leant knowledge, enable organisations to adapt under challenging conditions and amass experience to prepare for further adaption.

Procedures of strategies for organisational resilience

Burnard and his colleagues (Bhamra et al., 2011; Burnard & Bhamra, 2011; Burnard et al., 2018) point out that Sutcliffe and Vogus' (2003) proposition of achieving organisational resilience unintentionally implies the simultaneous occurrence of strategies and processes within organisations. These scholars, however, argue that the proposition simplifies the procedure, from challenge identification to response and thus neglects several features of organisational resilience. As demonstrated by Burnard et al. (2011) and Burnard et al.'s (2018) works, there is a three-phase procedure among organisations' strategies and processes for organisational resilience, although they do interact with each other to enhance organisation adaptive capacity (see Figure 3.3).

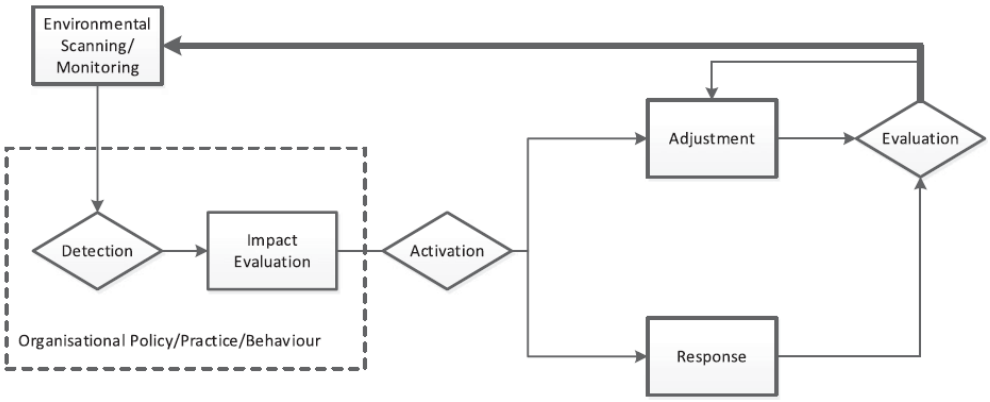

Figure 3.3: Organisational response framework (Burnard & Bhamra, 2011; Burnard et al., 2018:356)

The first phase encompasses organisations' detection and impact evaluation of challenging conditions. Burnard and his colleague argue that this phase is crucial, since organisations' ability to recognise challenges from emergent events directly influences organisations' decisions on responding strategies (Burnard & Bhamra, 2011). Although Sutcliffe and Vogus (2003) have commented on broadening information about challenging conditions and being mindful of small deviations, they do not clearly indicate the link between these processes and following strategies to tackle challenges. From the empirical evidence, Burnard et al. (2018:356) summarise that:

> Detection refers to the active process through which the determinants or impacts of an event are recognized. This process forms the initial decision-making function within response activities.
>
> Impact evaluation refers to the assessment of the initial impact and implications of an event or incident as defined by organizational policies and procedures. Deciding on the resources needed to implement the response plan.

The second phase consists of organisations' activation of strategies for adjustment and response, in which organisations commence deploying resources to create strategies to tackle challenging conditions (Burnard & Bharma, 2011). This phase resonates with Sutcliffe and Vogus' (2003) advocacy for loosening internal controllability and empowering individuals with competencies to take over the responsibility for handling challenges, and utilising slack resources to realise adaption. This is also the vital phase in Holling's (2001) adaptive cycle, when the factor of organisations' adaptive capacity is strengthened by a high level of

flexibility and a high level of wealth for change. Burnard et al.'s (2018) empirical study further demonstrates that in this phase, organisations seek an alteration in or change to normal routines to mitigate the negative impact of challenging conditions.

In the third phase, the evaluation of organisations' strategies to tackle challenging conditions is undertaken. Challenging conditions may change faster than organisations can forecast and react properly to (McManus, Seville, Brunsden & Vargo, 2007). Hence, it is necessary for organisations to assess their previous adaptions and note down the strengths and weaknesses, which are a source of information to facilitate the detection phase in turn, to prepare for following adaptions (Burnard & Bharma, 2011; McManus et al., 2007). This phase echoes Holling's (1996) observation of achieving ecological resilience. Ecological systems enlarge their capacity to absorb external disturbances, so as to be able to mitigate the negative implications of further disturbances. Organisations' evaluation of and feedback to responding strategies similarly improve their awareness of internal and external situations under challenging conditions (Burnard & Bharma, 2011). Moreover, as argued by Sutcliffe and Vogus (2003), the learnt knowledge from the adaption experience is transferred, to overcome further challenges at this phase. In practice, organisations implement learning and improvement to enhance their monitoring of internal and external environments (Burnard et al., 2018).

This section has discussed three major frameworks of strategy and process that enable organisations to achieve organisational resilience. This chapter does not mean to assess these frameworks and argue whether one is superior to the others. As Linnenluecke (2017) comments, research on organisational resilience in business and management has been highly context-dependent and therefore, it is possible that a pluralistic debate arises to provide multiple answers to achieving organisational resilience. Indeed, the review of the literature demonstrates diverse understandings of strategies for organisational resilience, which overlap at some points and, more importantly, complete each other. These different angles provide this thesis with a solid ground on which to build a theoretical lens composed of factors, dimensions and procedures, to explore how SEs develop their strategies to become resilient from challenging conditions in practice.

3.4.3 Organisational rigid response

In addition to organising for resilience, Staw et al. (1981) have explained why and how organisations choose strategies that lead them to rigid responses to challenging conditions. Based on prior studies, the authors find that organisations facing challenges have a tendency to simplify and stereotype the evaluation of internal and external environments (see Holsti, 1971; Lasswell & Leites, 1949, as cited by Staw et al., 1981). The authors further argue that information processing is not restricted at the beginning. On the contrary, organisations do search for broad information when a challenge starts to emerge. Nonetheless, as soon as a challenge exerts substantial impact, organisations reduce information processing and turn to prior experience, for two reasons. Firstly, overwhelming information raises the complexity of decision-making, which impedes the development of responding strategies (Staw et al., 1981). Besides, Starbuck et al. (1978) remark that organisations reliant on standard operating routines are likely to collect similar information, even when the search is broadened.

Secondly, challenges often happen along with resource scarcity within organisations (Staw et al., 1981). Searching for broad information costs resources, which adds more burden to organisations. This leads out to another tendency of efficiency within organisations facing challenges. As claimed by Staw et al. (1981), organisations are concerned with tightening budgets, emphasising cost-cutting and intensifying financial accountability, due to the decline in performance under challenging conditions. These concerns thus bring about organisations' conservations of slack resources.

Furthermore, Staw et al. (1981) state that challenging conditions cause organisations to centralise authority, formalise routines and standardise procedures. On the grounds of existing studies (e.g. Khandwalla, 1972; Rubin, 1977; Starbuck et al., 1978), the authors claim that it is logical to enhance control and coordination of organisational action under challenging conditions. The importance of decisions grows, as the responding strategies determine whether or not organisations may survive the challenges. Therefore, presumably, decision-making at the top level within the organisational hierarchy is more likely to develop strategies that comply with organisations' core goals (Kanter, 1977; Staw et al., 1981).

Taking these thoughts into account, Staw et al. (1981) build up a model of rigid organisational response (see Figure 3.4). In contrast to the strategies and processes for resilience that have been discussed earlier, Staw et al.'s model represents organisations' strong defensive

perception of challenging conditions. Moreover, in comparison, rigid responses pay little attention to utilising individuals' competencies within organisations to tackle challenges. Besides, rigid responses do not present any learning process, which implies that previous experience to tackle challenges is not incorporated into organisations' operations. Indeed, rigid responses rely heavily on standardised routines, which leaves little room for a new experience to emerge in the first place.

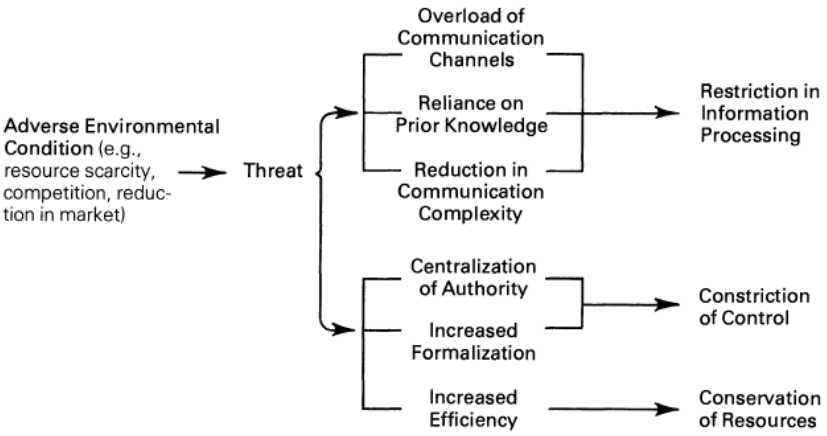

Figure 3.4: A model of organisational response to threat (Staw et al., 1981:516)

It needs to be underlined that the review above by no means criticises organisations' strategies of rigid responses for being inappropriate for tackling challenging conditions. The review accepts the application of rigid responses among organisations and merely presents their differences from organisations' strategies for resilience. The comparison shows that rigid responses do not contribute to enlarging organisations' capacity to prepare for future challenges. Hence, this thesis argues that strategies of rigid response provide organisations with short-term solutions to cope with current challenges, whilst strategies for resilience are more likely to lead organisations to long-term solutions, given its preparation purpose.

3.4.4 Issues of achieving organisational resilience

Organisational resilience is generally seen as a desirable outcome arising from organisations' strategies, since it indicates long-term solutions to challenging conditions (Linnenluecke, 2017; Vogus & Sutcliffe, 2007). However, there are certain conditions around the construct which makes the processes to achieve organisational resilience undesirable to organisations (Vogus & Sutcliffe, 2007). The most prominent condition is the intense input of resources, which renders pursuing resilience a more costly strategy than other options (Vogus &

Sutcliffe, 2007). Burnard et al. (2018:360) have found that the achievement of organisational resilience indicates organisations' capabilities to place focus on 'developing both robust planning for expected disruptions and allocating resources toward overcoming the unexpected'. Whilst pursuing organisational resilience helps organisations to keep a good balance between proactive planning and agility, it also requires a significantly high level of resources to support organisations' adaption to a range of situations by improvising (Burnard et al., 2018). Although organisations seeking adaptive strategies are willing to consume slack resources (Meyer, 1982), resources are limited and especially scarce under challenging conditions (Staw et al. 1981). Burnard et al. (2018) thus argue that organisations need to consider the trade-off between maintaining costly flexibility and frugal rigidity, and compromising organisational resilience at some point.

3.4.5 Summary

This section has discussed organisations' strategies and processes that aim to achieve resilience. Instead of advocating for organisational resilience, the review has built a rich theoretical basis on which the empirical data of SEs' strategies and processes under challenging conditions are to be analysed and understood. The discussion of rigid responses also reminds the researcher to account for which factors and elements affect SEs' adoption of certain strategies, if both resilience and rigidity are found in SEs.

3.5 SOCIAL ENTERPRISE AND ORGANISATIONAL RESILIENCE

The concept of organisational resilience provides a suitable lens through which to explore SEs' strategies to tackle challenges in two aspects. Firstly, the concept perceives that environments around an organisation cause borderless challenges to threaten the organisation's incumbency, but they also offer opportunities for the organisation to tackle these challenges (Burnard & Bhamra, 2011; Burnard et al., 2018). This aligns with the extant literature that challenges and opportunities coexist within SEs, to organise hybridity and to deliver public services. Secondly, the concept of organisational resilience underlines the strategies and processes to adapt and prepare for challenges, which is in line with the aim of this research to enhance our knowledge about SEs' organisational activities and managerial practices.

In the existing literature on SE, the term resilience has been mentioned simply in the sense of the positive impact created by SEs through helping individuals or local communities

overcome adversities and thrive (such as Apostolopoulos, Newbery & Gkartzios, 2019; Berno, 2017; Farmer et al., 2016). Nonetheless, studies on SE's organisational resilience from the perspective of its capability to tackle challenges are few. The existing works that do associate SEs with organisational resilience are not concerned with either the fact that SEs confront a wide variety of challenges or the question of whether SEs' organisational activities and managerial practices enable SEs to solve present challenges, while preparing for future challenges. For example, Milbourne (2013) and Zimmer et al. (2018) have probed how organisations in the third sector managed to adapt to a significantly difficult economic landscape. Both studies have simply referred to SE as a 'resilient example' among the organisations that adopted business-like governance and management to weather the turbulent economic environment. Young and Kim (2015), on the other hand, by using ecological resilience (rather than organisational resilience), presume that there is a stable status for SEs to return to and thus avoiding the mission drifting. Despite using the term resilience, these studies have not thoroughly probed organisational resilience in the SE context. They neglect the dynamic strategies and processes that the concept of organisational resilience encompasses and thus leave the knowledge unclear about SEs' capability to tackle challenges. This thesis thus argues that the utilisation of organisational resilience in the SE literature is marginal and implicit.

To address the issue of lacking formal application of organisational resilience to the SE literature, this thesis incorporates the concept with the discussion on SE literature. Organisational resilience and maladaptive processes in the SE context are conceptualised as follows. SE's organisational resilience refers to:

> An outcome that emerges from SE's strategies and processes that enable SE to adapt to changing challenges. The strategies and processes enlarge SE's capacity to absorb current challenges and prepare for future challenges.

Therefore, organisational resilience is achieved when SEs recognise challenges, adapt accordingly and are ready to adapt whenever the challenge changes. The achievement of organisational resilience indicates a long-term solution, since SEs' strategies not only aim to tackle current challenges, but also enable organisations to learn from the previous adaption. This enhances SEs' capability to predict changes in challenges and to be prepared to handle challenges smoothly in the future. SE's maladaptive processes are conceptualised as:

> An outcome that emerges from SE's strategies and processes that increase SE's rigidity in response to challenges. The strategies and processes enable SE to cope with current challenges by intensifying normal routines, underlining pre-designed plans and allowing limited adaption.

In contrast to organisational resilience, the occurrence of maladaptive processes indicates a short-term solution, since SEs' strategies neglect the changing nature of challenges and resist adjustments to operations, to prepare for potential changes in challenges. SEs are thus vulnerable to unpredicted challenges, since the strategies and processes do not build up organisations' capacity to absorb more significant challenges in the future.

These two conceptualisations draw from the discussion in Chapter Two that SEs operate in complex environments and multiple stakeholders can affect SEs' achievement of dual missions. Therefore, it is interesting to explore which strategies SEs would adopt under challenging conditions, insisting on a pre-disturbed state by staying rigid or following environmental changes to adapt and prepare for future challenges. Whilst this research will assess which consequences arise from SEs strategies and processes of tackling challenging conditions, it is equally important for this research to understand which factors and elements influence SEs' adoption of different strategies.

3.6 CHAPTER SUMMARY: DEFINING RESILIENCE IN THE SOCIAL ENTERPRISE CONTEXT

This second part of the literature review has explored the concept of organisational resilience. The chapter commenced by discussing the origin of resilience in ecological studies and then its transfer into social sciences. The argument that underlies the logic of resilience has been extended from *engineering resilience*, focusing on one sole stable state, to *ecological resilience*, accepting a domain of multiple stable states (Hollings, 1996). The similarity of the changing nature between ecological and social systems inspired social scientists to borrow the concept of ecological resilience, to make sense of human reactions for persistence in the face of environmental changes and adversity (Adger, 2000; Cote & Nightingale, 2012; Cretney, 2014; Norris et al. 2008).

This chapter then continued discussing the introduction of resilience into organisation studies. Current conceptual debates around the organisational resilience field are reviewed. The discussion has explicated that the concept of organisational resilience is concerned with

organisations' constant adaption under challenging conditions, in order to enlarge the capacity to absorb current challenges and prepare for future challenges. Meanwhile, organisational maladaptive processes have also been explored, which are caused by organisations' rigidity in response to challenges.

This chapter then proceeded to discuss the appropriateness to utilise organisational resilience as a theoretical lens through which to understand SEs' strategies to tackle challenges in their delivery of public services. The discussion revealed that the concept of organisational resilience has not been formally applied to the SE research. Although the term has been mentioned in several SE studies, what organisational resilience means to SEs and how it is achieved in SEs remains unclear. The chapter thus conceptualised SE's organisational resilience and maladaptive processes.

Taking SEs' challenges, their potential strategies and the concept of organisational resilience into account, the third research sub-question and the overarching research question emerge:

> SQ3: What consequences arise from SEs' strategies to tackle challenges?
>
> **Overarching research question**: Can SEs involved in public services delivery achieve resilience from challenges and in which contingencies?

Inspired by the knowledge gap regarding SEs' capacity to tackle challenges, this thesis has detailed the important theoretical relevance in the two literature review chapters. In order to justify the theoretical lens to be used to explore the gap, this chapter has provided a thorough review of the concept of resilience. The thesis moves on to present the practical and policy relevance underpinning the study. Attention now turns in Chapter Four to the context of SE development in Scotland, where this research is embedded.

CHAPTER 4

SOCIAL ENTERPRISE DEVELOPMENT IN SCOTLAND

4.1 INTRODUCTION

This chapter sets the scene for this study. The Scottish Government's policy support for the SE development has been closely linked to its public services reform. The number of studies on SE development and the public service reform in Scotland is increasing. Nonetheless, there is still a dearth of studies probing the interrelationship between them. Therefore, it is important to set the scene, discussing the SE development against the backdrop of public services reform in Scotland.

This chapter unpacks the Scottish Government's three approaches to engaging SEs in the public services delivery: enhancing the business capability of enterprising third-sector organisations; encouraging new SE start-ups to deliver services and; converting existing SEs into public service organisations. It also presents the three issues emerging from the SE development in Scotland, namely low trading activities, mixed perceptions of SE and the difficulty of access to the public service market. This chapter concludes by discussing the contrast between policy rhetoric and reality. It reveals an overall challenging environment in which Scottish SEs have to operate. This chapter justifies the practical and policy relevance that underpins the study.

4.2 THE SCOTTISH CONTEXT OF SOCIAL ENTERPRISE DEVELOPMENT

Scotland possesses a unique position in the UK. Much of the UK domestic legislation had a separate Scottish version, to fit into Scotland's institutional and legal frame, even before the Scottish devolution (Keating, 2010). In the late 1990s, the discrepancy between Scottish political demands and the UK government policy became so deep that the Campaign for a Scottish Parliament received great support (Keating, 2010). Following the 'Yes' result of the Scottish devolution referendum of 1997, the *Scotland Act 1998* empowered Scotland to create the Scottish Parliament to legislate over all matters, except those that are expressly reserved for the UK Government (reserved power such as defence, foreign affairs and national security). The devolved powers include health, education and training, local government, social work, housing, planning, economic development, home affairs, justice and most criminal law, the environment, agriculture, fisheries and forestry, sport and the arts (Keating, 2010).

Since the devolution from Westminster in 1999, Scotland has gained more discretion in its national policy decisions, including the policy support for SE development (Alcock, 2012; Steiner & Teasdale, 2017). On 19 May 2005, after a debate over the voluntary sector and the social economy, the Scottish Parliament passed a motion to produce a differentiated strategy for SE in Scotland.

> (The Scottish Parliament) further recognises the distinctive contribution that co-operatives and social enterprises make to the social economy; recommends the development of a differentiated strategy to meet the specific needs of the social enterprise sector of the social economy, and further recommends that such a strategy be developed in partnership with social enterprises and their networks beyond the voluntary sector, be aligned with the development of the Cooperative Development Agency and be aligned with the Department of Trade and Industry's strategy to support social enterprise across the rest of the United Kingdom.

Based on the agreed motion, the Labour Party-led Scottish Executive conducted an extensive consultation exercise and published its first strategy and action plan for SE in 2007, *Better Business: A strategy and action plan for social enterprise in Scotland*. Not being the first to

have a dedicated strategy for SE development in the UK though[1], the Scottish Government[2] has been strongly supportive for SE in the past decade (British Council, 2015).

As aligned with the Department of Trade and Industry's strategy for SE across the UK, the Scottish Executive accepted DTI's definition of SE in *Better business: A strategy and action plan for social enterprise in Scotland*.

> A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners (DTI, 2002:13).

The Scottish Executive recognised that SE could not only exist in private business, but could also be a part of the wider activity in voluntary organisations. Nevertheless, it stressed that SEs were different from traditional voluntary organisations engaged with some trading, since SEs should 'deliver their social purpose primarily through their trading activity, or aim to do so' (Scottish Executive, 2007:9). Further, it built a threefold vision for SEs in Scotland, including doing business in a dynamic, sustainable and credible way, delivering services and actively improving communities (Scottish Executive, 2007).

It was estimated that there were around 3,000 SEs in Scotland when the strategy and action plan was published, contributing about £1 billion a year to the Scottish economy, equal to about 1% of Scotland's GDP[3]. Although it admitted that SE was an underdeveloped activity in Scotland and not well established or self-sufficient as a whole, the Scottish Executive affirmed that SE could greatly contribute to the economic, social and environmental life in Scotland (Scottish Executive, 2007). To implement the vision for SE, the Scottish Executive set aside a budget of £1.5 million to put the four strategic aims into practice. The aims were to raise the profile and to prove the value of SE; to open up markets to SE; to increase the range of finance available to develop SE and; to develop the trading capacity of SEs by providing better business support (Scottish Executive, 2007).

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[1] For example, the launch of the Social Enterprise Unit in England in 2002 and the Social Enterprise Strategy for Wales in 2005.

[2] The Scottish Executive was renamed the Scottish Government in 2007 under the Scottish National Party's minority government. The rename followed a poll that showed the term 'executive' was meaningless to many people. The then First Minister, Alex Salmond stated, 'It (the Scottish Executive) is regarded as the government across a range of issues and it should act like a government.' (BBC News, 3 September 2007, http://news.bbc.co.uk/1/hi/scotland/6974798.stm)

[3] Scottish GDP Including and Excluding North Sea GDP: 2002-03 to 2006-07 in Scottish Government's *Government Expenditure and Revenue Scotland 2006-2007.*

4.3 ENGAGING SOCIAL ENTERPRISES IN PUBLIC SERVICES DELIVERY

Months after the strategy and action plan were published, the Scottish National Party came to power in the elections, first as a minority government in 2007 and then as a majority in 2011. The challenges of intense budgets, economic downturn and new demographic and social pressures in public services urged the Scottish Government to launch an urgent and sustained reform in public services (Christie, 2011). In response, the Scottish Government was committed to investing in preventative action; improving local partnership and integrated service provision, as a basis for stronger community participation in service design and delivery; enhancing the capability of front-line staff in public services and; improving performance to save public money (Scottish Government, 2011). In terms of SE development, the SNP-led Scottish Government retained its predecessor's strategy and developed more dedicated policy support to promote SE as a sustainable provider of public services in Scotland (Mazzei & Roy, 2017).

The promotion of SE included three aspects. Firstly, the Scottish Government attempted to extend the enterprising culture throughout the third sector and encouraged third-sector organisations that were already involved in public services delivery to practice SE activity. In 2008, the Scottish Government published its action plan *Enterprising Third Sector: Action Plan 2008-2011.* It categorised SE as one of the activities an enterprising third sector could embrace. The third sector was depicted as having a unique ability to reach and engage with the most vulnerable and the most disadvantaged individuals in Scotland, while in addition to meeting a social or environmental need, an enterprising third sector, including SEs, normally pursued that purpose through trading activity, to contribute to the overall economy (Scottish Government, 2008). Recognising that the most enterprising third-sector organisations had been providing high-quality public services, the Scottish Government was ambitious to 'encourage this culture of enterprise throughout the third sector in Scotland' (Scottish Government, 2008: 1). £93 million was set aside for this action plan, which consisted of an investment of £63 million in a development programme over three years and £30 million through a Scottish Investment Fund. The fund aimed to help enterprising third-sector organisations develop an enterprise business model for financial sustainability.

Secondly, the start-up of new SEs was encouraged in Scotland. As early as 2004, the Scottish Executive had set up a Seedcorn Fund to award grants to emerging organisations, of which a small amount was used to encourage new SEs. Up to July 2006, when the fund was closed, a

total of 220 SE start-ups had been awarded grants totalling £392,500 (EKOS, 2008). In late 2008, the Scottish Government launched a £1 million Social Entrepreneurs Fund (SEF) to facilitate individuals getting their SEs off the ground. SEF is managed by Firstport, on behalf of the Scottish Government. As of September 2017, £4 million had been invested in SEF to support SE start-ups (Firstport, 2018). With SEF, the Scottish Government sought to support new SE activity across Scotland, to create 'a more financially sustainable, enterprising and business-like' third sector, which should be less dependent on grants and more capable of delivering better public services (Scottish Government, 2008). In 2007, the Scottish Government committed additional funding support to community-based, early-stage SEs through the Strengthening Communities Programme, Aspiring Communities Fund and Regeneration Capital Grant Fund.

Thirdly, the existing SEs were supported to deliver public services. In 2004, The Scottish Executive started the £12 million Futurebuilders Investment Fund for established organisations working in the social economy, including SEs, to develop their financial sustainability. According to the *Evaluation of the Futurebuilders Scotland Funding Programme*, the funding grants were awarded to 79 organisations that had a solid record in delivering public services (EKOS, 2008). In 2008, the Scottish Government replaced the Futurebuilders Investment Fund with the Scottish Investment Fund and almost tripled the total amount to £30 million. The grants were accessible to SEs, as well as other enterprising third-sector organisations. Different from Futurebuilders, it was delivered in a form of loan finance, which required the applicant organisations to provide a three-year history of income generation outside of grants. In the latest action plan, *Building a Sustainable Social Enterprise Sector in Scotland: Action Plan 2017-20*, the Scottish Government (2017a) was committed to a blended finance approach (i.e. grants plus loans), to stimulate investment-ready SEs to keep playing a key role in public services.

Apart from the financial incentives that have supported SEs respectively from different backgrounds and at different stages, there are another two common themes repetitive in the policy support for SEs in general: opening up markets and supporting business development. By opening up markets, especially the public sector market, the Scottish Government expected SEs to play a larger role in providing public services. It is estimated that the Scottish Government spends more than £10 billion a year on public goods and services, which creates a large market opportunity for SEs (Scottish Government, 2016). The strategy of opening the

public sector market was proposed in the Scottish Executive's (2007) *Better business: A strategy and action plan for social enterprise in Scotland*, with the assertion that SEs could add considerable value to public service delivery, given that the market was more accessible to them. The successor Scottish Government (2008) confirmed that it would continue to open the key markets in the public sector to SEs in Scotland and to help them reach their full potential in service delivery. The strategy was again developed into the Scottish Government's (2016) latest ten-year strategy for SE, so as to engage more SEs into service delivery in Scotland.

Alongside the rallying cries, the Scottish Government has implemented a few public service reform policies since 2007, to facilitate opening the market. For example, the *Concordat between the Scottish Government and local government*, implemented in 2007, was designed to withdraw the national government from micro-managing service delivery and to allow local authorities more flexibility, as well as more responsibility to seek partners to meet the local needs. The legislation of the *Public Services Reform (Scotland) Act 2010* mandated the Scottish Government to improve public functions towards efficiency, effectiveness and economy, and to establish new public bodies to enhance the scrutiny over public services, such as Social Care and Social Work Improvement Scotland for care services and social work services, and Healthcare Improvement Scotland for healthcare services. In the following year, in response to the Christie Commission's recommendation for urgent and sustained reform of public services (Christie Commission, 2011), the Scottish Government was committed to investing over £750 million in enhancing community participation in service design and delivery, as well as in preventative action, front-line staff capacity building and performance improvement (Scottish Government, 2011).

One important development regarding opening the market afterwards was the legislation of the *Procurement Reform (Scotland) Act 2014*, which included Community Benefit clauses as a core part of specification from a legal standpoint. The clauses are mandatory in any public contracts worth £4 million and above. Community Benefit clauses require contractors to demonstrate contributions to the society or environment, which is expected to give SEs advantages when bidding for a public contract. The *Community Empowerment (Scotland) Act 2015* and the amendments to the *Land Reform (Scotland) Act 2003* have enabled community bodies to buy abandoned, neglected or detrimental land, as well as to request an asset transfer for any land that a local authority owns or rents. The influence of these two acts on

SEs is manifested in tackling the inequalities issue and increasing their negotiation power over local authorities' decisions on public services (Steiner & Teasdale, 2017). This asset-based approach also empowers SEs to acquire appropriate premises to conduct activities, such as service delivery, that may otherwise not be exercisable in the community without premises (Scottish Government, 2017b).

The second theme in policy support is business development. Recognising that SE is a way of doing business, the Scottish Government, as well as the previous Scottish Executive, has stated in different policy documents that it will provide SEs with business support, including knowledge suitable for private businesses and training on writing tenders for public contracts. In *Scotland's Social Enterprise Strategy 2016-26*, it was emphasised that specialised business support would always be in place to 'enable SE start-up, growth and resilience' (Scottish Government, 2016).

The business support is delivered by public bodies and in partnership with a group of SE-supporting organisations. The public body providers consist mainly of Business Gateway and Third Sector Interfaces embedded in each local council. Business Gateway has a variety of support services, according to the trading volume of consulting SEs. Third Sector Interfaces were introduced by the Scottish Government in 2012, to offer one-stop integrated support and advice to SEs and other third-sector organisations in the local area. The partnership is built with Social Enterprise Scotland, which brings SE practitioners and supporters together to advocate SE activities; Social Firms Scotland, which supports and advocates work integration organisations in Scotland and; Scotland Social Entrepreneurs Network for Scotland (SENSCOT), which establishes and maintains networks and forums across Scotland for SE practitioners to meet and work together. These three organisations have been entrusted by the Scottish Government to deliver a three-year, countrywide programme of representation and support from 2017 to 2020. Also, the Social Enterprise Academy has been collaborating with the Scottish Executive and the Scottish Government since 2007, to offer diverse learning programmes on business development and leadership for SE practitioners.

SE development has certainly been mentioned in a large number of public policy documents and on different official occasions. Apparently, the Scottish Government has resolved to foster an environment where SEs can be more sustainable, in a financial sense and engage themselves more in the delivery of public services. As the former First Minister of Scotland,

Alex Salmond MSP commented, Scotland has 'a strong and valued SE sector here – one which the public sector is determined to support' (Roy et al., 2015). However, this section does not mean to list every relevant policy, every organisation involved or to go through all the details to demonstrate the Scottish Government's commitment. Rather, it aims to set the scene of the policy context that is driving SEs to deliver public services. It intends to probe the policy rhetoric around SEs in Scotland. Indeed, the Scottish Government has been increasing financial incentives with funding grants and loans, to encourage third-sector organisations to adopt SE activity, to inspire new SE start-ups and to develop existing SEs' capacity. It has also attempted to give advantages to SEs in its public service reform, through various legislation and public policies. Additionally, the Scottish Government has been mobilising both public bodies and SE-supporting organisations, to provide a wide range of support services to SEs across the country. Nevertheless, issues in social enterprise development still exist in Scotland.

4.4 ISSUES IN SOCIAL ENTERPRISE DEVELOPMENT

The number of studies on SE development in Scotland has been increasing. There are policy review reports produced or commissioned by the Scottish Government, SE censuses conducted by supporting organisations and academic research papers (e.g. Sutherland, McTier, Glass & McGregor, 2015; Social Value Lab, 2015; 2017, Mazzei & Roy, 2017). While confirming an upward trend in the SE development, these pieces of literature have also shed some light on the issues of SE activity and of the environment in which SEs in Scotland operate.

There are three main issues. First, the trading income accounts for a low proportion of SE's total income. In the first countrywide SE Census in 2015, 5,199 SEs were identified, 54% of which generated at least half of their income from trading (Social Value Lab, 2015). In the second census, conducted in 2017, the number of SEs increased to 5,600, with 61% of them generating half or more of their income from trading (Social Value Lab, 2017). The SE Census 2017 also showed that the total income of a more typical group of SEs (excluding housing associations and credit unions) had decreased by 4% between 2015 and 2017. In spite of the Scottish Government's ambition to forge them into sustainable and resilient providers of public services, less dependent on funding, SEs did not seem financially viable in trading activity. On the one hand, SEs in Scotland have been actively participating in service delivery, as both the 2015 and 2017 censuses showed 89% of identified SEs providing services. On the

other, the 2015 Census data revealed that Scottish SEs acquired 67.9% of resources for operation through trading activity and gained the remaining 31.5% through grant funding (Social Value Lab, 2015). The 2017 Census data indicated a slight change, with 70.4% through trading and 28.1% through grant funding. Table 4.1 displays the key figures mentioned above.

Table 4.1: Key figures of trading activity in *Social Enterprise in Scotland: Census 2015* and *Social Enterprise in Scotland: Census 2017*

Item	**2015**	**2017**
Number of SEs	5,199	5,600
Percentage of SEs earning at least half of their income from trading	54%	61%
Percentage of SEs providing services	89%	89%
Percentage of resources for operation from trading	67.9%	70.4%
Percentage of resources for operation from funding	31.5%	28.1%
NB: All figures exclude housing associations and credit unions		
Source: *Social Enterprise in Scotland: Census 2015* *Social Enterprise in Scotland: Census 2017*		

Apart from Scottish SEs' low percentage of trading income, the use of trading activity by SE practitioners and the Scottish Government is worth noticing. The Scottish SE community formed a *Voluntary Code of Practice for Social Enterprise in Scotland* in 2012, which has been used as the criteria to identify SEs in the two censuses. The Voluntary Code was amended in 2015 and 2016. In the current version, the word 'marketplace' has been removed from Criteria 1 (see Table 4.2), without any justification on the Voluntary Code website. Only in the *Social Enterprise in Scotland Census 2017: Technical Report*, published by the Scottish Government, is the interpretation of the Voluntary Code found, which explains SE's trading scope in detail.

> …'trading' refers to income in exchange for goods or services, and includes income from public contracts (this includes contracts based on Service Level Agreements). (Scottish Government, 2017c:8)

The interpretation indicates that the censuses have not only counted the income from the marketplace but have also extended the scope to include income from public contracts. Nonetheless, the trading ratios have demonstrated that Scottish SEs as a whole are not able to be fully independent of funding grants and are not self-sustainable merely through trading activity.

Table 4.2: Two versions of Criteria 1 in the *Voluntary Code of Practice for Social Enterprise in Scotland*

Version 2015	**Amended version 2016**
1. A Social Enterprise (SE) is a business trading in the marketplace – selling goods and services – but whose primary objective is to achieve social and/or environmental benefit. (Source: www.se-code.net, accessed in January 2015)	1. A Social Enterprise (SE) is a trading business – selling goods and services – but whose primary objective is to achieve social and/or environmental benefit. SEs are different from those charities and voluntary organisations which do not aspire to financial independence through trading. (Source: www.se-code.net, accessed in October 2017)

The second issue regards the identity of SE. In Scotland, SEs consist of democratic enterprises, socially responsible businesses and enterprising charities (Scottish Government, 2016). As discussed above, the Scottish Government has implemented its action plan to promote SE activity across the third sector. In the meantime, the ongoing public services reform has been changing the public services landscape in Scotland. A longitudinal study on the third sector in Scotland has shown that many third-sector organisations have considered diversifying their funding base, as a response to the decentralised public-social partnership, the shift toward competitive tendering for public contracts, the economic downturn and budget constraints (Osborne, Honore, Bond & Dutton, 2011). However, these two factors have not significantly increased the coherence in SE identity. The SE Census Survey 2017 has suggested that only 56% of Scottish SE organisations have identified themselves as SE. Instead, SE practitioners have tended to use multiple terms, such as charity, voluntary organisation and community enterprise when describing their organisations (Social Value Lab, 2017).

SE is neither the only way for third-sector organisations to become more enterprising, nor even a new approach for them to generate income. The Scottish Government's policy to have an enterprising third sector and the public services reform to encourage competition for public contracts has further blurred the borders between the public, private, third sectors and SE (Osborne, Bond, Dutton & Honore, 2012; Osborne, Bond, Dutton, Honore & Egdell, 2012). To tackle the changes, third-sector organisations have adopted not only SE activity, but mixed measures of saving costs, reviewing organisational performance and exploring new funding grants as well. They did not need to transform into SEs or establish new organisations in the form of SE (Osborne et al., 2011; Osborne et al., 2012a; Osborne et al., 2012b; Dutton, Egdell, McQuaid & Osborne, 2013). The majority of third-sector organisations, with very few completely rejecting SE activity, have long been practising SE elements to generate income from mission-critical activity (for example, directly charging fees from service users) and/or non-mission-critical activity (for example, opening a charity shop), but they do not necessarily identify themselves as SEs (Osborne et al., 2011). Hence, there is confusion in what SE is, from an activity or a business model to an organisational form.

The third issue is related to the difficult access to the public market for service delivery. In spite of the commitment to favour SEs in public services delivery, especially in tendering for public contracts, the Scottish Government has produced limited review reports on the actual impact of enacted policies. The *Analysis of the Impact and Value of Community Benefit Clauses in Procurement: Final Report* was a commissioned work by the Scottish Government to evaluate the impact of Community Benefit Clauses. Among the 24 public contracts reviewed, the research team found only one single case that had demonstrated that SEs were targeted in subcontracting and these SEs would not have gained the contracts without Community Benefit Clauses. Since the sample was too small, the research team suggested that the case was not representative and should not be over-read (Sutherland et al., 2015). Additionally, the research team discovered that SEs were actually not submitting good quality, competitive tenders, which caused difficulties in targeting SEs in procurement or subcontracting (Sutherland et al., 2015).

Two academic papers also have examined the public policies related to Scottish SEs and both concluded that the environment was not as favourable as the Scottish Government had claimed. In retrospect, Roy et al. (2015) unpacked the policy discourse on how the devolved Scottish Government had attempted to engage non-state players, such as SEs, in creating a

mixed economy in public service delivery. They comment that local authorities in Scotland have a schizophrenic attitude towards involving SEs in service delivery, being welcoming to this idea on one hand, while on the other, remaining cautious about awarding public contracts to them. Mazzei and Roy further illuminate the prudence, based on an empirical study of a range of SE practitioners in Scotland. They find that due to austerity, the so-called added value and the community benefit were undermined by the consideration of cost. Local authorities have preferred large and financially sustainable organisations to deliver large-scale contracts, rather than disaggregating contracts to suit small-scale SEs (Mazzei and Roy 2017). Given the fact that around 60% of Scottish SEs have an annual turnover less than £100,000 (Social Value Lab, 2015, 2017), there is a concern over SEs' capability to deliver the contract without stretching their finances to their limit.

4.5 CHAPTER SUMMARY

This chapter has revealed a discrepancy between reality and the Scottish Government's rhetoric about reinforcing SEs' role in public service delivery. As discussed, the discrepancy is threefold. First, SEs in Scotland are not fully independent of funding grants. Whilst there is evidence of trading activity, either in the marketplace or the public sector, funding income still counts for a significant proportion of SEs' financial resource. Second, the number of SEs in Scotland is increasing, but there is a lack of coherence in what this term refers to. Some organisations do not identify themselves as SEs, though they engage in SE activity in daily operations. On the flip side, some organisations use the SE title and other entities do so interchangeably or simultaneously, which increases the confusion of the term. Third, many SEs do provide public services, as the Scottish Government expects, but it is not easy for them to access the market of the public sector. The reasons for this are attributed to SEs' low capacity as well as to local authorities' prudence.

These circumstances indicate that there are latent challenges for SEs to operate and deliver public services in Scotland, which illuminates the practical relevance of undertaking this research in Scotland. This research is also of policy relevance, since the Scottish Government's has shown an explicative intention to promote SE as a sustainable public service provider through its public policies. Attention now turns in Chapter Five to the methodology employed by the study.

CHAPTER 5

METHODOLOGY

5.1 INTRODUCTION

This chapter discusses the methodological choices and the reasons why decisions on these research approaches were made. Chapter two of this thesis has discussed the challenges that SEs are confronted with and the fact that SEs have been increasingly involved in public services delivery. The chapter has also identified that there are few empirical studies to probe systematically SEs' strategies for their challenges. Chapter three explored how the concept of resilience has evolved from the ecological studies to the organisational domain where the term refers to one organisation's adaptive capacity to absorb disruptive events and challenging conditions. The exploration of how SEs respond to challenging conditions and whether and how they can be resilient from challenges is of importance to enrich the SE literature.

This chapter starts with a discussion of the philosophical position that underpins the research. It then examines the methodological implications and justifies why a qualitative approach is to be undertaken. After introducing the case study method as the research approach, the chapter continues to discuss the sampling methods adopted to select cases. It then moves on to present the data collection methods, which include semi-structured interviews, participant observation and document analysis. It then discusses how a grounded-theory approach is used to analyse the findings. Examples are provided to illustrate how the data is analysed.

5.2 PHILOSOPHICAL POSITION

Every PhD student of social sciences expects to make an original contribution to the theory, and this raises the question about how research can be eventually converted into 'good' knowledge. 'Social science research yields valuable information and expands our understanding' but it is not the only source of our knowledge (Neuman, 2013:2). We alternatively acquire fast, easy and practical knowledge from personal experience and common sense; experts and authority; popular and media messages; or ideological beliefs. Knowledge derived from social science research is different. Social science research relies on the process and evidence of science to reduce error, misinformation and false reasoning that the aforementioned alternatives may bring, such as overgeneralisation, selective observation, premature closure, halo effect and false consensus (Neuman, 2013). Through the research process, social scientists transform ideas, theories, guesses and questions into new knowledge that 'can improve our understanding of the social world and its operation' (Neuman, 2013:16).

Social scientific research involves varies approaches, some dealing with quantitative data, some dealing with qualitative data and some dealing with both. Although there is a debate on quantitative and qualitative approaches, (e.g. the quantitative approach is called the 'real social science' (Levine, 1993) while the qualitative approach is claimed to 'take over the social sciences' (Denzin and Lincoln, 2008:vii), the approach is determined by what to be found out and then the decision will be made on what to be the best way (Babbie, 2016). This research raised questions about the nature of resilience within SE. It aims to investigate how the word 'resilience' is conceptualised and used in the context of SE and how SE behaves to achieve resilience. The notion of *quality* enquires the nature of a thing (Dabbs, 1982), referring to its 'essence and ambience' (Berg, 2000:3). Hence, a qualitative approach was undertaken, since it could enable me to explore the social activities of the actors within SE and to understand how their values and the SE's values might influence their capacity to overcome the challenges or disturbances confronted by the SE.

Before conducting a qualitative study, it is important to examine the assumptions regarding the nature of knowledge. The research design process in the social sciences begins with certain philosophical assumptions and *good research*, at least, is conscious of the fact that these assumptions affect the conduct of enquiry (Creswell, 2007). Researchers question themselves what the nature of reality is; how they know what they know; what the role of

values is; and what the methods are used in the process of research (Creswell, 2007). These five questions consist of the ontological, epistemological, axiological, methodological assumptions respectively. A philosophical position reflects a researcher's particular stance in these assumptions and composes 'a basic set of beliefs that guide action' (Guba, 1990:17).

The *ontological* issue for qualitative researchers is concerned with the idea of multiple realities they embrace (Creswell, 2007). They believe that reality is subjective in nature and individual research participants have their own opinions on realities. Qualitative researchers tend to report these multiple realities (Creswell, 2007). *Epistemologically*, a qualitative researcher assumes to keep a close relationship with research participants (Guba & Lincoln, 1988). Hence, researchers intend to stay at the research site for a certain period of time to obtain first-hand information from participants (Wolcott, 1999).

Qualitative researchers admit the value-laden nature of their studies, which results from their close interaction with participants to gather the information. They intend to report explicitly and actively the values and the bias that are brought into the study (Creswell, 2007). The *axiological* assumption is thus implemented in practice. Qualitative researchers process 'unquantifiable facts about the actual people' and thus, they need to interact with research participants to 'share in the understandings and perceptions of others and to explore how people structure and give meaning to their daily lives.' (Berg, 2000:7). This brings about the methodological issue that concerns how qualitative researchers adopt inductive logic and shape the data collection and analysis with their experience.

After they determine their particular stances in the philosophical assumptions, researchers need to move on to frame their research by referring to the inquiry paradigms (Creswell, 2007). There are usually multiple ways to explain things while paradigms, also known as worldviews, underlie the different explanations, or theories, and constitute our fundamental models or frames to organise the observations and reasoning (Babbie, 2016). Two particular paradigms, namely positivism and interpretivism[4], will be discussed in this section to justify why the decision was eventually made on researching from an interpretive perspective.

Positivism is 'the oldest and the most widely used approach' in social research and it underlines the discovery of causal laws, careful empirical observations, and value-free

[4] Interpretivism is often combined with social constructivism (Mertens, 2015).

research (Neuma, 2013:96). These are actually the characteristics in the natural sciences and positivism assumes that 'if the social sciences could only imitate them, they would achieve similar success' (Collier 2005:328). Quantitative strategies fit in the positivistic ideal well by utilising rigorous, reliable and verifiable sets of data and the statistical testing of empirical hypotheses (Berg, 2000). Positivism is also open to qualitative research. Qualitative researchers engaged in positivism will likely take a scientific approach to research and measuring reality objectively and borrow the structure assembling quantitative studies to form their scientific reports (Creswell, 2007; Easterby-Smith, Thorpe & Jackson, 2012). Nevertheless, positivism is criticised for its incapacity to grasp the complex social world of business and management and oversimplifying the complexity into a series of law-like generalisation (Saunders, Lewis, & Thornhill, 2016).

Interpretivism, on the contrary, reflects individuals' will to understand the world around them and develop multiple subjective meanings of their experiences (Creswell, 2007). This paradigm encourages researchers to take a close look at social actors, the human being rather than objects, and to comprehend and interpret participants' views of the researched situation (Saunders et al., 2016). Interpretive researchers tend to use broad and general questions to foster discussions and other forms of interaction with participants. Unlike positivists that prefer rigorous, reliable and verifiable data, interpretivists emphasise the processes, in which participants construct the meaning of the researched situation. They acknowledge that their own social and historical background shapes their interpretation of what they find in participants, but their ultimate purpose is to discern how others make sense of the world (Creswell, 2007).

Associated with the questions posed, the type of knowledge to be created in this research are derived from people, more specifically, practitioners in SEs. It requires deep exploration into these practitioners' thoughts, understandings, and insights about the social reality and the SE context surrounding them. The processes of interaction with SE practitioners matters to the research, since people live in reality and the situation that they experience exerts an impact on their comprehension of resilience and their practice of resilience strategies. The knowledge to be developed upon practitioners' view of the situation is not a series of facts or opinions that can be scientifically measured through approaches assembling natural sciences research, which quantitative or positivist research advocates. Hence, it is vital that the researcher, I, interacts with practitioners to inquire what the meanings are and what

value they place on these meanings in their specific context of SE. Table 5.1 presents the assumptions that this researcher holds in ontology, epistemology and methodology.

The philosophical position of this research leads to the interpretive paradigm, which attempts to make sense of the world. Saunders et al. (2016) alert researchers within this paradigm to the principal concern of discovering irrationalities, such as incidents that derail the organisation from predesigned strategies. Researchers are here to understand and explain what is going on. The interpretive way of exploring concepts has been adopted successfully in a number of studies related to organisational resilience and SE strategies. Examples include Milbourne's (2013) enquiry of voluntary sector organisation's transition under economic austerity; Fitzgerald's (2018) study on public service organisations under English local authorities' economic resilience strategies; Vickers and Lyon's (2014) research on SE's growth strategies; and Powell and Osborne's (2018) enquiry of relationships between SE's marketing strategies and sustainability.

Table 5.1: My Philosophical Position (Adapted from Creswell, 2007:17)		
Philosophical Assumption	**Question**	**My Position**
Ontological	What is the nature of reality?	I, the researcher, assume that the reality is subjective. It is perceived, understood and developed socially through individuals' own experiences of the world where they live and work. They interpret the experiences and then make sense of the world to constitute their perspectives on reality. Thus, I also assume that there is no absolute truth whereas there are multiple realities that are seen by the participants in the research. However, the participants' perspectives on reality are not imprinted on individuals, which means the perspectives cannot be accessed directly through pure observation. These realities have to be comprehended through interpreting the participants' individual perspectives on the specific research situation.
Epistemological	What is the relationship between the researcher and that being researched?	I, the researcher, see myself as a participating actor in the research. I assume that I need to stay close to the research field to understand the backgrounds where the research participants live and work. This can facilitate me to understand how the research participants view the SE contexts and why they adopt particular resilience strategies. Through the interactions, I will build a relationship with the participants, which can reduce the 'distance' or the 'objective separate' between the participants and myself (Cuba & Lincoln, 1988:94). This relationship will encourage the participants to reveal their perspectives on reality, which will enable me to better understand the participants' behaviours.
Axiological	What is the role of values?	Due to my interactions with the participants, I assume that I am a participating actor whose values engage in the process of constructing/interpreting an understanding of SEs' challenges and responding strategies. I cannot separate myself either from the researched situation or from the knowledge that I already have. Nevertheless, I recognise the value-laden nature of the study and I intend to report the values and bias that are involved in how I collect data from the field and in the information acquired from the field. These values are inevitable in the research while they contribute to constructing/interpreting an understanding of the researched situation.
Methodological	What is the process of research?	I, the researcher, assume that resilience exists in SEs when the participants (SE practitioners) make sense of the challenges, develop subjective strategies to tackle challenges and justify the strategies. Hence, I need to conduct in-depth conversations with participants to explore what they do in response to challenges and if their strategies help organisations to achieve resilience. The job cannot be completed by a one-way communication (such as survey questionnaires) or observation. The methods must enable me to enter a dialogue with the participants around the key theme of resilience. The participants and the researcher collaborate to construct the subjective and multiple realities, which, after being interpreted by the researcher, creates the knowledge of the situation being researched.

5.3 DESIGNING THE RESEARCH

5.3.1 Qualitative Research Approach

Within the abovementioned paradigms/worldviews, there is a range of approaches to qualitative inquiry. This section will discuss and justify the most appropriate approach for this research. First of all, it is vital to understand the definition of 'qualitative research'. Denzin and Lincoln (2005:3) have defined qualitative research as a series of practices that 'study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them', for the purpose to transform the world into visible presentations. Creswell (2007) argues that Denzin and Lincoln's definition emphasises too much the outcome and impact of qualitative research. Instead, he provides a working definition highlights the process of research:

> *Qualitative research begins with assumptions, a worldview, the possible use of a theoretical lens, and the study of research problems inquiring into the meaning individuals or groups ascribe to a social or human problem. To study this problem, qualitative researchers use an emerging qualitative approach to inquiry, the collection of data analysis that is inductive and establishes patterns or themes. The final written report or presentation includes the voices of participants, the reflexivity of the researcher, and a complex description and interpretation of the problem, and it extends the literature or signals a call for action. (Creswell, 2007:37).*

Combining these two definitions, this research refers qualitative research to an comprehensive undertaking where researchers start with assumptions, collect data from humans rather than objects about their understanding of a problem (or phenomenon) through interactions not interference, then proceed to interpret others' views for analysis and finally present these views, together with researchers' own values and a contextual description of the problem in visible forms. In the research process, researchers are key instruments (Creswell, 2007) to collect and analyse data. Qualitative researchers need to admit that they are inseparable from the research. This contrasts quantitative researchers who keep a distance from those being researched as neutral observers and remain objective from any previous knowledge, experience or personal values (Guba & Lincoln, 1994). In compliance with the researcher's philosophical position, the researcher realises that she is a part of the research process and cannot be detached from the research.

Creswell (2007) summarises seven circumstances under which qualitative research is needed (see Table 5.2). He concludes that qualitative approaches are chosen primarily because they fit better for our particular research problems.

Table 5.2: A summary of circumstances to use qualitative approaches (Adapted from Creswell, 2007)	
1	A problem or issue needs to be explored rather than measured;
2	A complex and detailed understanding of the issue can only be achieved through interactions with research participants;
3	A literary and flexible report is preferred;
4	The contexts of a problem or issue need to be understood;
5	Results of a quantitative research need to be further explained;
6	New theories need to be developed or theories need to be complemented;
7	Quantitative measures do not meet the research requirements

This research seeks to construct the understanding of if SEs can achieve resilience through interpreting the participants' views on the challenges faced by SEs and their strategies to overcome these challenges. It not only asks the participants' attitude on whether they think their SEs can solve the challenges or not but also intends to capture the detailed stories behind how SEs attempt to achieve resilience. A quantitative approach is not taken into account essentially because the participants' views cannot be simply turned into measurable entities. There is also a fear that data collection through survey questionnaires will undermine the researcher's capability to grasp the complexity and details of resilience. The researcher needs to conduct face-to-face, or at least in-person, interactions with the participants. The intention is to co-create the meanings of resilience by integrating the researcher's prior knowledge, personal values with the participants' experience and knowledge. In addition, as reviewed in chapter 2, the literature of SE's strategies to tackle challenges is under development and empirical studies are limited in number. Given that the existing theory does not adequately explore SEs' managerial practices and hybrid organising, the researcher considers that an interpretivist qualitative approach can better facilitate the researcher to understand it via SE practitioners' views and experiences that are derived from practitioners' work in SEs. Therefore, a qualitative approach suits the research purpose of exploring the nature of resilience within SEs.

5.3.2 Case Study Research

Case study research serves the purpose to capture the particularity and the complexity of cases in order to understand the activities within important circumstances (Stake, 2006). Although Stake regards it as a choice of what to be studied, case study is widely accepted as a methodological approach (Creswell, 2007; Denzin & Lincoln, 2005; Hamel, Dufour & Fortin, 1993; Merriam, 1998; Yin, 2017). Case study research does not have a restriction on the number of cases. A researcher can explore a bounded system (a single case) or multiple

bounded systems (multiple cases) according to the problem/issue she or he intends to investigate (Creswell, 2007).

Case study research does not particularly associate itself to a positivistic or an interpretive paradigm. It incorporates a range of in-depth data collection tools that involve multiple sources of information, such as interview, observations and documents (Hamel et al., 1993; Hagan, 1993; Yin, 2017; Creswell, 2007). This lends qualitative research an advantage, since case study is able to capture rich, detailed and in-depth information (Berg, 2000). This asset of case study approach enables qualitative researchers to develop theories by utilising in-depth insight of empirical phenomena and their contexts (Dubois & Gadde, 2002). The application of case study research is appropriate when little is known about a social problem or issue; current perspectives seem inadequate or lacking empirical evidence; extant theories contradict each other; or an emerging theory requires further development (Eisenhardt, 1989). Stake (1995) further specifies that a case study is a good approach especially when researchers pursue a thorough understanding of one or several clearly identifiable cases with boundaries. By selecting cases that show different angles of the researched problem or issue, researchers collect data from documents, archival records, interviews, direct observations, participant-observations and physical artefacts (Yin, 2017) to investigate complex social phenomena (Reilly & Linds, 2010).

Researchers start analysing the case by describing the whole case or a specific aspect of the case in detail. At this stage, the interpretation of the meaning of the case is realised through identifying issues within the case and seeking for common themes across cases given it is a multiple case study (Yin, 2017). Researchers refine and understand those meanings (Stake, 1995) until they constitute the 'lessons learned' from the case(s) (Lincoln & Guba, 1985).

Case study research has been also discussed in the literature regarding its contribution to theory building (see Glaser & Strauss, 1967; Miles, Huberman & Saldana, 2014; Yin, 2017). Eisenhardt (1989) teases out the relationship between qualitative approaches, the design of multiple case study research and grounded/inductive theory building. Her roadmap shows the process of building theory from case study research (see Figure 5.1).

Figure 5.1: Nine steps to build theory from case study research (Adapted from: Eisenhardt, 1989)
Getting started—defining and constructing research question(s)
↓ Selecting cases—Conducting theoretical sampling of cases
↓ Crafting instruments and protocols—Combining multiple data collection methods
↓ Entering the field—Collecting and analysing data simultaneously
↓ Analysing within-case data—Describing single cases
↓ Searching for cross-case patterns—Looking at the data in many divergent ways
↓ Shaping hypotheses—Comparing theory and data iteratively
↓ Enfolding literature—Comparing emergent concepts, theory or hypotheses with the extant literature
Reaching closure—Ceasing incremental improvement

Case study has its strength to reconcile evidence across cases and integrate different sources of data (Eisenhardt, 1989). This strength can raise the juxtaposition of contradictory or paradoxical evidence that can stimulate creative insight into novel theories (Cameron & Quinn, 1988). In addition, case study draws conclusions upon empirical data hence the resultant theory generated through case study will plausibly be consistent with empirical observations, or to say empirically valid.

This research aims to understand resilience as it occurs to SE when strategies are implemented to combat disruptive challenges. To understand how SE practitioners develop strategies and processes to tackle challenges and what strategies assist SEs to achieve resilience, a multiple case study approach is considered appropriate. The approach can allow the researcher to explore the challenges and the resilience strategies in detail within individual case organisations and then compare the divergence and convergence of detailed challenging conditions and resilience strategies. This approach ensures that the researcher looks at the complexity and the particularity of each case SE whilst building a holist picture of how and why these SEs adopted their resilience strategies and what impacts these strategies resulted in.

The literature review has revealed that the understanding of how SEs tackle challenges is still understudied, and little is known about if and how SEs can achieve resilience. Yin (2017) suggests that case study enquiry is preferred if the research questions are ‘how’ and ‘why’ questions while a researcher has little or no control over behaviour controls, and the study is regarding contemporary phenomena. This research does not seek to control SE practitioners’ behaviour via any experiences, for example. It seeks to interpret how SE practitioners structure the understanding of challenges and what values they put on

strategies to tackle challenges, which increases the understanding of whether and how SEs can achieve organisational resilience. Hence, the researcher has regarded case study as the most powerful approach to employ here.

Challenges for the Case Study Approach

Whilst the case study approach fits the research purpose, the researcher also bears in mind the challenges and sometimes the criticism to employ a case study approach. Flyvbjerg (2006) lists five generally perceived problems about case study. As a supporter of case study approach, Flyvbjerg calls these 'problems' misunderstandings and clarifies them with his experience. This list of misunderstanding, however, provides a reference for the researcher to evaluate further the appropriateness of a case study approach.

The first misunderstanding focuses on the disadvantage of context-dependent knowledge generated in case study. Flynbjerg (2006) argues that the closeness of the case study to real-life situations and its rich details are important for the development of a nuanced view of reality and for researchers to develop their research skills. Besides, a complex social phenomenon cannot be broken away from its context and a more holistic view is required, since it is dynamic and constantly reacting to the influences of culture and environments (Reilly & Linds, 2010). The researcher has demonstrated earlier the recognition of a complex social world and the context-dependent case study provides the source of information to understand the multiple realities of resilience.

Second, case study approach was questioned for its capability of generalisation as only a single case or just a few cases are studied (Stake, 1995; Yin, 2017). Flynbjerg (2006) disproves the doubt by stating that generalisation is one of researchers' practical skills to carry out scientific work. Stake (1995) also clarifies that case study cares about particularisation rather than generalisation. The emphasis of case study is put on understanding the uniqueness of the case(s) and the overwhelming focus on generalisation will distract researchers from features important for understanding the case itself (Stake, 2005). In this study, the researcher aims to understand the empirical strategies for challenges in each case SE. The generalisation is considered as the research adds new knowledge to the understanding of SE's management and hybrid organising through the lens of organisational resilience, which complies with what Stake (1995:7) calls 'a modified generalization'.

The third criticism is related to the second one as case study is considered not suitable for theory building (Flyvbjerg, 2006). Being discussed above, Eisenhardt's (1989) roadmap demonstrates that case study is capable to add new knowledge to existing theories. Flyvbjerg (2006) attributes this misunderstanding to the non-objective sampling strategies that case study adopts. He defends that atypical and extreme cases often offer deeper information and causes behind the social phenomenon than randomly sampled cases do. The sampling framework of this research will be discussed later in this chapter.

The fourth criticism regards the subjective bias in case study. This criticism is found in qualitative research methods in general, since they do not apply scientific methods as the natural sciences do (Diamond, 1996). Case study approach, like any other qualitative research methods, emphasises the interpretation of research participants' worldviews by involving researchers' own values. Besides, researchers of in-depth case studies would especially report that their prior views or knowledge wrong and the case(s) enforce them to revise their views, which prevents falsifications in researches (Campbell, 1979; Ragin, 1992; Geertz, 1995; Wieviorka, 1992; Flyvbjerg, 1998; 2001; 2006). The researcher sees the prior knowledge and experiences necessary in the interpretation process and it could help develop a dialogue with the research participants. The collaborative interactions between the researcher and the participants generate new knowledge of SE's organisational resilience, where the previous values are reported and the changes in the researcher's views are particularly recorded.

The last criticism asserts that case studies contain overwhelming and complicated data, which obstructs the analysis (Hodkinson and Hodkinson, 2001). Nevertheless, there is an opposite voice that hard-to-summarised narratives of case studies reveal the rich realities of the researcher problem or issue. This research aligns itself with the advocacy of rich ambiguity. The value of case study, the contextual and interpenetrating nature, is retained when there is dense data (Peattie, 2001). The density of narrative is an advantage of case study approach because it uncovers the cumulative development of knowledge, i.e. how the knowledge and experiences respectively held by the participants and the researchers intertwine in the research process and allows a complex social phenomenon to be completely comprehended.

5.4 IMPLEMENTING THE RESEARCH

5.4.1 Exploratory Interviews

The data collection commenced in October 2015 in Scotland and it was composed of two parts: the exploratory interviews with stakeholders involved in the SE development in Scotland and the multiple case studies of four Scottish SEs. The exploratory interviews have served two purposes for the research. First, the exploratory interviews helped generate an empirical description of external environments where social enterprises in Scotland operate. At this stage, the researcher also examined whether the research questions appealed to the stakeholders to ensure that the research would produce practical contributions. Second, the exploratory interviews helped identify the cases for the multiple case studies, which were the main part of this research. The exploratory interviewees were asked to recommend SEs or SE events where the researcher could connect with local SEs. Totally 20 interviewees from SE periphery across Scotland were approached through a snowball sampling. They belonged to five groups according to their organisation's functions (see Table 5.3). They were all invited for semi-structured interviews, which lasted between 30 to 90 minutes. These interviews were conducted between October 2015 and June 2016.

Table 5.3: Interviewee groups in the exploratory interviews

Group Name	Number of interviewee(s)
The Scottish Government	5
The local councils/authorities	7
Social enterprise umbrella organisations	5
The Scottish Parliament	1
Third sector umbrella organisations	2
Total	20

However, this research did not include the exploratory interviews in the final analysis of findings for two reasons. First, the interviews did help the researcher better understand the situation of SE development in Scotland, but they did not touch the core research questions about SEs' understanding of and behaviours toward 'resilience'. It was felt that these interviews distracted from the research purpose. Second, the interviewees raised more issues at the public policy level, such as the effectiveness of current policies to support SE development in Scotland. Whilst it was an interesting research topic, the researcher was convinced that it required more exploration in the future for a separate study.

5.4.2 Sampling Framework

The purpose of qualitative research is to provide a profound understanding of a complex social problem instead of a generalisation. Thus, one general guideline in qualitative research is to collect detailed information about each site or individual studies rather than chasing the large numbers of sites or individuals to study (Creswell, 2007). Compared with probability sampling that focuses on a statistically random sample, non-probability sampling that specifies an in-depth study is more suitable for a small case sample for a particular purpose (Saunder et al. 2005). It is often used in case study research when researchers wish to select very small but particularly informative samples (Neuman, 2013). This research adopted criterion sampling, one among the non-probability sampling strategies, to choose cases that can contribute to the development of the theory (Creswell, 2007). This sampling is also known as 'theoretical sampling' in the grounded theory.

> *Theoretical sampling is the process of data collection for generating theory whereby the analyst jointly collects, codes, and analyses his data and decides what data to collect next and where to find them, in order to develop his theory as it emerges. (Glaser and Strauss 1967:45).*

Table 5.4: Criteria of sampling

Criteria	Reasoning
The organisation is recognised by SE umbrella organisations or local authorities as a SE.	There is no official definition of SE in Scotland. As discussed in chapter four, the identity of SEs is still confusing. Some organisations take advantage of the confusion and claim themselves as SEs. By asking the exploratory interviewees to recommend potential cases, the researcher will ensure that the identity of SEs chosen is in some way endorsed and accepted.
The organisation identifies itself as a SE.	During the exploratory interviews, the researcher discovered an issue that some organisations recognised by SE umbrella organisations or local authorities did not identify themselves as SEs. It is important to explore in the first place if the potential cases accept the SE identity. Otherwise, it will be meaningless to choose these cases given that the core questions are posed to SEs.
The organisation delivers public service(s) in Scotland.	As argued in the previous chapters, the delivery of public services in Scotland is changing and SEs are expected to be more involved in public services. Therefore, public services delivery will be a fruitful context to study SEs' resilience and resilience strategies within an environment of uncertain events.
The organisation has been in operation for more than five years.	This criterion is added due to the concern over the richness of data that start-up SEs can provide. Given the resilience literature highlighted the persistence in spite of disruptive events, it is considered suitable to explore mature SEs that have a long history of operation.

The criteria to sample the cases were determined to set the boundaries of cases organisations (see Table 5.4). The creation of a bounded system ensured that the chosen cases would provide the researcher with in-depth and relevant information to address the research questions.

5.4.3 Accessing the cases

The screening was conducted to discard start-up cases that were either recommended by the exploratory interviewees or identified by the researcher in different SE events. Six cases older than five years[5], Security & Pub, Cleaning Company, Arts House[6], Business Park, Blue Gallery and Bistro Gallery, were identified and approached for initial interviews. All six cases were involved in delivering employability training services in Scotland. Two cases were discarded after the initial interviews and the fieldwork in the other four cases was completed between May 2016 and April 2017.

The chief executive of Security & Pub was one of the keynote speakers at a SE umbrella organisation's event. The researcher approached the chief executive during the event. In the initial interview in November 2015, the chief executive granted access to data but the agreement on the time for fieldwork was not reached. Therefore, the researcher decided to complete the other three case studies first while remaining in the communication with Security & Pub to seek for a suitable period for the fieldwork. The chief executive was back to the conversation in early January 2017 and agreed on the research time plan in late January 2017. The fieldwork in Security & Pub was completed in April 2017.

Cleaning company was recommended by one of the exploratory interviewees. In the initial interview with the manager, however, the researcher found that the SE had been merged into a local housing association and became a department of the housing association. Additionally, most of the previous employees had left Cleaning Company after the merge and the current manager was newly appointed by the housing association. Considering that this change would cause difficulties to reach the previous employees who had information about Cleaning Company's resilience strategies while the new employees might lack the understanding of Cleaning Company's history, this case was discarded.

[5] Bistro Gallery was in its fifth year of operation when the fieldwork was undertaken.
[6] All the organisations are assigned with a pseudonym for confidentiality reason.

Arts House was identified by the researcher in a third sector umbrella organisation's annual event. The chief executive was a keynote speaker invited by the event organiser. When the researcher commenced the fieldwork in Arts House in May 2016, the SE had only two staff members, the chief executive and one part-time administrator. The chief executive informed that the funding grant from the Scottish Government would arrive in July and new staff members would be recruited then. Noticing that the new workforce might bring changes to Arts House and would profoundly affect the data, the researcher discussed with the chief executive about the possibility of extending the fieldwork period. The chief executive agreed on follow-up interviews in December 2016 when the new staff members would get familiar with Arts House's operation. From May to July, the researcher conducted a series of participant observation of Arts House's daily operation and board meetings.

While the fieldwork in Arts House was being undertaken, the researcher attended a seminar on the People and Communities Fund organised by the Scottish Government in May 2016. Blue Gallery was one of the presenting SEs that had received the grant from the People and Communities Fund. The researcher approached Blue Gallery after the seminar and the manager showed interest in being a case and guaranteed the initial access to data. However, in late June of the same year, the manager informed the researcher that the board refused the research request due to the concern that the research would occupy the organisation's working hours. Negotiation via email did not lead to any positive response from Blue Gallery so the case was discarded.

The case of Bistro Gallery was recommended by an exploratory interviewee. One board director of Bistro Gallery who accepted the interview invitation in July 2016. The board director granted the access to data but considering that the chief executive of Bistro Gallery was on sick leave, she suggested the fieldwork started when the chief executive resumed the job. The fieldwork finally commenced in September 2016.

The case of Business Park was recommended by an exploratory interviewee. The chief executive accepted the interview invitation in July 2016, and he asked for a research explanation and a fieldwork time plan to arrange the managers' timeslots for interviews. The materials were sent to him soon after the interview. However, when he resumed the conversation in September, the chief executive expressed concerns over the research. He found one of the research objectives regarded the tensions between social enterprise's social

and economic missions. He underlined in the email that such tensions did not exist in Business Park. After circulating the research material and consulting the managers, the chief executive doubted whether Business Park was appropriate for this research. Communication was made via email to explain that the exploration of tensions between dual missions was a part of research but not the dominant purpose. The research emphasised the resilience strategies that case social enterprises had adopted. The chief executive accepted the explanation and the access to data was granted in October 2016. Table 5.5 presents a summary of the four case study organisations.

Table 5.5: A Summary of four case study organisations

Case	No. of paid employee	Sector/activity	Year of incorporation	Income source
Arts House	6	Creative industry, education, entertaining and retail	2012	Funding grants, fees from various arts workshop and events, sales
Bistro Gallery	over 10	Hospitality, education and retail	2012-2017 (The parent charity was incorporated in 1993)	Funding grants, fees from various arts workshop and events, sales
Business Park	over 200	Property maintenance, property management, conference, education, home care	1988	Public sector contracts, private sector contracts, sales
Security & Pub	over 50	Security, hospitality and education	2012	Public sector contracts, private sector contracts, third sector contracts, sales

5.4.4 Empirical data

Whilst the cases were being determined, the researcher was addressing the type of data needed to address the three research questions that had been raised in this thesis. The research questions are:

1. How do challenges arise in SEs involved in public service delivery?
2. What capabilities and strategies do SEs develop to tackle challenges?
3. What consequences arise from SEs' strategies to tackle challenges?

Considering that this thesis conceptualises resilience as an organisation's capacity to absorb current challenges and prepare for future challenges, the researcher felt it important to explore a holistic picture of the challenges in the case study organisations. It was necessary for the researcher to listen to the participants at different positions within the case study organisations. The researcher attempted to reach out not only to the chief executives but also to the staff at the operational level, the board directors and even former public service users of the SEs. It was also felt that recruiting interviewees at different positions would enable the researcher to understand the case organisations' resilience strategies more comprehensively. The research could discuss with the interviewees directly about their experiences of challenges and strategies to tackle the challenges. Analysing the empirical data allowed the researcher to identify the pattern of challenges, the pattern of responding strategies and the actual impact of these strategies on case study organisations' achievement of resilience.

Collecting empirical interview data within the case study organisations allowed the researcher to probe the nature of challenges and resilience strategies. It was equally important to supplement the interview data with observation data and document analysis. The observation of daily operation and board meetings allowed the researcher to examine closely what the case study organisations actually did and to pick up some details that might be missing, comforting to or contrasting to the interview data. By using document analysis, including collecting empirical data of accounts files, annual general meeting files and publicity materials, the researcher could identify the state of operation of the case study organisations. The next section will discuss the data collection methods within each case.

5.4.5 Triangulation

Qualitative researchers often wonder if they get the story right because they seek to accurately reflect what the participants have said (Creswell, 2007; Stake, 1995). In addition to common sense or intuition, discipline and protocols are needed for qualitative researchers to increase the validity and credibility of data (Stake, 1995). Triangulation is a common validation strategy to ensure that the data are presenting a true picture of the researched phenomenon (Wolfram Cox & Hassard, 2010) by using two or more independent sources of data or data-collection methods within one study (Sauders et al., 2016).

Denzin (1978) outlines four categories of triangulation: adopting multiple methods to collect data (methodological triangulation), collecting data from different sources (data source triangulation), using multiple researchers to collect data (investigator triangulation), and analysing data through multiple theoretical lenses (theory triangulation). For many researchers, the methodological triangulation is most recognised among the four, as a means to mutual confirmation of means and validation of findings (Berg, 2000; Stake, 1995). This type of triangulation is important, since qualitative researchers sometimes do not necessarily acknowledge that their data-collection methods impose certain perspectives on reality (Denzin, 1978). Campbell and Fiske (1959) discover in their research that social scientists' research approach may influence the findings from their studies to some extent. Stake (1995) suggests that using multiple approaches, i.e. observation, interview and document analysis, researchers are able to mitigate such influence and increase the credibility and validity of their findings.

This researcher considered the methodological triangulation in the research design and applied three methods to data collection: semi-structured interview, participant observation and document analysis. The researcher also attempted to recruit the participants at different positions in the case study organisations to increase the possibility of gaining a holistic picture of each case. The details of data-collection methods will be discussed in the next section.

5.4.6 Data collection methods

All forms of qualitative data can be grouped into four basic types of information, namely observations, interviews, documents and audiovisual materials (Creswell, 2007). In this research, data were collected through semi-structured interviews, participant observation and document analysis.

Interviews

Interview is a technique to collect valid and reliable data to answer the research questions through a purposeful discussion between two or more people (Kahn and Cannell, 1957). Qualitative interviews often refer to unstructured and semi-structured interviews (King, 2004). In unstructured interviews, researchers encourage interviewees to talk freely on one specific aspect or aspects. Semi-structured interviews, however, involves the implementation of a list of predetermined themes and questions while researchers may add or omit some questions depending on interviewees' responses and the nature of events

within particular organisations (Berg, 2000; Saunders, et al., 2016). Qualitative interviews serve an interpretivist epistemology, since researchers are able to collect a rich and detailed set of data for interpretation by stimulating interviewees to think aloud about the questions that they have not thoroughly thought about and to voice their explanations, ideas and understandings of the questions (Saunders, et al. 2016).

Semi-structured interviews were conducted in each of the case study organisations. The researcher chose semi-structured rather than unstructured interview method because it was felt in the exploratory interviews that the terms SE, resilience, resilience strategies contained complex meanings, which could puzzle the interviewees at the first glance. Silverman (2007) alerts that the way that researchers ask questions will affect the data they collect. Hence, the researcher decided to prepare a list of questions (see appendix 1 for the example of interview topic guides) to direct the interviewees to reveal their understandings instead of making the interviewees feel lost in big topics. This method of data collection allowed for the probe into what the participants perceived as key challenges and discussion of different dimensions of resilience and resilience strategies adopted by the cases.

Interviews were conducted at each organisation in a face-to-face manner with staff at different positions, board directors and services users when available (see Table 5.6). Every interview was recorded upon the participant's approval. This method of semi-structured interview set the boundaries of questions to ensure that interviewees did not digress in the discussion while it gave the researcher flexibility to raise follow up questions for unexpected responses from the participants.

Table 5.6: A summary of data collection methods in the four cases			
Case	**Semi-structured interview**	**Observation**	**Document analysis**
Arts House (AH)	Chief executive 3 paid staff members 1 board director 1 public service user	2 board meetings 2 team meetings Daily operation	Companies House files Website Twitter and Facebook Funding awards notifications
Bistro Gallery (BG)	Chief executive 3 trainers 1 training coordinator 2 finance persons 1 company secretary 1 board director 2 former trainees (public service users)	1 board meeting 1 annual general meeting Daily operation	Companies House files Website Twitter and Facebook Press reports AGM documents
Business Park (BP)	Chief executive 3 subsidiary companies' managers 1 trainer 2 board directors	1 board meeting 1 visit to the construction skill training workshop	Companies House files Website Press reports
Security & Pub (SP)	Chief executive 2 managers 3 board directors	1 board meeting 1 upskilling security training session Daily operation of bar restaurant	Companies House files Website Twitter and Facebook Press reports

Participant observation

Observation can help researchers address the potential deficiency of interview when interview respondents have high impression management and act deceptively in the interview (Hammersley & Atkinson, 1995). Participant observation empowers researchers to understand social actors' behaviour by rendering researchers to immerse themselves deeply in the research setting to share and learn people's symbolic world (Delbridge & Kirkpatrick, 1994). In the process of observation, researchers attempt to go deep into how the participants construct and reconstruct their identities and their perspectives of reality (Saunders et al. 2016). Researchers' knowledge and experience are an integral part of participant observation (Brewer, 2000) whilst they are also able to keep a distance from those being observed (Bryman and Bell, 2003).

Participant observation was planned at the beginning of the data collection process. The request for observation of daily operation and board meetings was sent to the chief executives of the four case study organisations together with the interview plan. All organisations permitted the researcher to observe board meetings. Recording was allowed at the board meetings of Arts House and of Bistro Gallery while at the board meetings of

Business Park and Security & Pub, the researcher was allowed to take notes only. The research was also able to observe daily operation (including training sessions) in Arts House, Bistro Gallery and Security & Pub. Business Park declined the request for observation of training sessions but the trainer showed the researcher around the construction skill training workshop after the interview. During the observation in the four organisations, the researcher had the opportunity to talk briefly with some staff members and some service users about their experiences. Descriptive and reflective notes were made after the observation (see appendix 2 for the example of observation notes). The observation supplied the researcher with valuable information alongside the interviews and allowed the researcher to view the ways that staff communicated with each other, with service users and with business customers. The board meetings displayed how the strategies were discussed and how the strategic decisions were made.

Document analysis

Document analysis was used in addition to semi-structured interviews and observations. This data collection method provided the background information of the case organisations when the researcher started the fieldwork. It also served the purpose to verify what the participants had said in the interviews and crossed reference what they did as the observation took place. The documents included the Companies House files, organisations' websites, Facebook, Twitter, AGM documents, funding award notifications and press reports. All these documents were publicly accessible.

5.5 DATA ANALYSIS

'Analysis is a matter of giving meaning to first impressions as well as to final compilations.' (Stake, 1995:71). Data analysis in qualitative studies does not have a particular start point. When the researcher listened to the interview recordings, transcribed the interviews, or reviewed the field notes, the analysis was undertaken. Besides, data analysis is a customer-built (Miles & Huberman, 1994) and a 'learning by doing' (Dey, 1993:6) practice that contains an iterative process of moving between managing data; making and reflecting memos; describing, classifying and interpreting data; and referring to the literature (Creswell, 2007). Grounded theory provides this research with an analysis protocol to build theoretical explanations from the empirical data (Glaser & Strauss, 1967). The procedure includes developing categories of information, interconnecting the categories, building a story to connect the categories, and composing a series of theoretical propositions (Corbin & Strauss,

1990). Researchers keep moving between asking questions, generating hypotheses and making comparisons (Corbin & Strauss, 1990).

Scholars alert that in this procedure, data should not be forced into preconceived or pre-existent categories whilst categories should emerge from data (Dubois & Gadde, 2002; Glaser, 1978). Dubois and Gadde (2002) thus advocate for an abductive approach of paralleling interpretation of data and development of the theoretical framework, since a theoretical platform adds more information to researchers' understanding of the empirical world. Peirce (1960) compares the abductive approach to finding a way in a pathless forest, by applying certain principles (theories) to find paths (categories) that furnish the way through the maze (data analysis). Abduction consists of examining facts, allowing the facts to emerge guesswork or hunches of theory and then referring to the literature to ensure if new theoretical insights need to be created (Locke, 2010; Peirce, 1960). The abductive approach investigates the relationship between everyday language and concepts and serves researchers' purpose to discover new things (Dubois & Gadde, 2002).

In this research, the researcher had previous knowledge about SE and resilience, with which the researcher gained some hunches about the collected data. However, this only led to an incomplete explanation and interpretation of data. An abductive approach inspired the researcher to look up in the literature again and link the literature to the previous knowledge and the collected data to create a new understanding of resilience and SE. The rest of this section will present how the data analysis was practised.

5.5.1 Coding

The researcher organised and managed the data collected from the four case study organisations before starting coding the data. All the interview recordings were transcribed by the researcher alone in a word-for-word manner. The process of transcription helped the researcher immerse in the data and begin to reflect on initial code names. The qualitative analysis software NVivo was used to facilitate the coding at the beginning and Excel spreadsheet was used later when the cross-case analysis was conducted. Data from document review and participant observation served as supplementary data to add understanding to interviews. The semi-structured interviews provided the key data to address the research questions and the emphasis of analysis was laid on this part of data.

Stake (1995:83) warns case study researchers that multiple case study is not 'a design for comparing cases' and he suggests that researchers should report the cases individually before they attempt to compare them. The researcher followed this advice and created four NVivo files to store the data from different cases. The data were coded case by case to assure that each case contributed meanings to the research questions about SEs' challenges and their resilience strategies.

The coding process followed the grounded theory's three phases (see Table 5.7 for coding examples): open coding, axial coding and selective coding (Corbin & Strauss, 1990; 2008). The first cycle coding, open coding breaks down the data to enable researchers to deeply reflect on the contents and nuances of data (Saldaña, 2016; Corbin & Strauss, 2008). The coding 'remains open to all possible theoretical directions suggested by your interpretations of the data' (Charmaz, 2014) and the researcher at this stage mainly made sense of what the interviewees said by coding the data paragraph-by-paragraph. Descriptive codes were used to condense the data whereas retaining interviewees' original expression. Since SE has two definite characteristics, two broad categories, social mission and business mission, naturally emerged in the first cycle coding. Then these categories were broken into subcategories to examine the similarities and differences within each case. Memos were taken while the researcher was coding the data to note the guesses and haunches of explanations for the phenomenon.

The second cycle coding, axial coding facilitates researchers to relate the categories and subcategories emerging in the open coding to each other (Saldaña, 2016). At this stage, the researcher started to examine the codes across the four cases and merge the codes that were felt similar. The categories and subcategories were also reviewed to examine if their titles still made sense across the cases and if merge or revision was required. The researcher was especially careful in this process about avoiding oversimplifying each case: the determined categories represented the data in four cases while more importantly, they also accommodated the multiple perspectives among the cases. The researcher then changed moved from working in NVivo to Excel spreadsheet, with which codes and categories were displayed more directly. The researcher also drew tables, figures and diagrams to facilitate the thinking process. All these sketches were kept and reviewed for times when decisions on concepts and categories were to be made. This stage was probably the most iterative part of the whole data analysis because the researcher went through the codes from open coding

and axial coding for numbers of times. Part of the interview data was re-coded twice in order to grasp what the interviewees meant and refine the interpretation. Meanwhile, literature was also reviewed time after time to help the researcher comprehend and identify the relationships between categories (see appendix 4 for interview codes and appendix 5-6 for analysis mind maps).

Once the data were sorted into categories and subcategories, the researcher started to write the finding chapter. The writing-up was a reflective process *per se*. information from the second cycle coding was organised into coding paradigms and figures to illustrate a theoretical model of the process (Creswell, 2007). Propositions of resilience and SE resilience strategies were generated to interrelate the categories. These propositions composed the basis of the following discussion that linked the findings back to the existing literature.

Table 5.7: Examples of three-cycle coding				
Raw data	**Open coding**	**Axial coding**	**Selective coding (Second-order Theme)**	**Theoretical Dimension**
But recently I did a proper cost-benefit analysis of the course I'm running. This scared me. It was incredible how much money it would cost if we ran that properly. Because as volunteers, we don't take wages. The cost of the room and everything included and the time actually it takes to set up and to set down, the decoration costs. Actually, the whole taken into account, it's a huge amount of money. I'm looking at it and thinking that's impossible. It's no way. When I'm charging the kids, I charge the kids 19 pounds for the block or something like that, just to cover the cost so they can complete that. (Public service user A, AH)	Empowering the public service users to run the organisation	Adapting to enlarge capacity to absorb further challenging conditions	Conscious adaption in SEs' strategies for challenges	Degrees of SEs' willingness to adapt
And also being professional and honest as well I think to the clients [business customers]… we try to give them a combined services… So, if there is a problem with window cleaning, they don't phone the window cleaning company. They phone us and we sort it out. And something with hygiene delivery or some of the paper towel issues of them, they would contact us, not to whom they get the delivery from. We are the point of contact all the time for these things. (Manager of Cleaning Services, BP)	Guaranteeing the high quality of business services			
We have to create an income …And make sure we prove to funders as well. Let them see that we try to make improvements. For example, we just think in June we started to open 7 days a week…It's twofold. I can't go to the funder and say, 'could you give us that money?' And they turn to say, 'why you close two days a week? You could make that money yourself.' So, you have to try it. (Chief Executive, BG)	Extending business hours	Mismatching adaption with challenging conditions		
I just think this could be done differently or it's a shame we don't have money to spend on things like making a little more inviting. That makes me want to look for funding, which is not my position… But it all refers to money. I noticed every idea that I have is underpaid. That's a great idea but you also need to find a funding for it, which is a bit like a knock in the teeth sometimes. Because I feel so enthusiastic to help this place out but it's always you know, you need the money to do it…It's all just about funding, isn't it? I suppose it never isn't. (Gallery Coordinator, BG)	Chasing new funding grants	Replicating same strategies	Unconscious rigidity in SEs' strategies for challenges	
So, either we have to re-inform our paid staff or at some stage to decide that maybe they are not the right people, which is not a pleasant situation. But maybe that is a contribution if there is one I can make. (Board director A, AH).	Dismissing the 'rebellions' among paid staff members	Formalising routines		

5.6 RESEARCH ETHICS

This research complied with Level Two Research Ethics of the University of Edinburgh Business School, which applies to 'straightforward' engagement with participants or participant groups. The four case study SEs were engaged in enhancing the employability in the local community. They provided job training to vulnerable groups in the labour market, such as people with stress issues, people with learning disabilities, unemployed young people, and low-skilled workers. However, the focus of this research was on the strategies adopted by the case SEs as they tackled the challenges and difficulties to achieve resilience. The main subjects of this research were SE leaders, board members and SE staff who were not included in the vulnerable groups. Service users were involved in non-intervention, observational research or at most in informal conversations. The only three service users that accepted interviews were one volunteer in AH, who was extensively engaged in AH's daily operation; and two former trainees in BG, who were employed by BG when the interviews took place. The main purpose of research on service users was limited merely to their service experiences and their understanding of case organisations' strategies. It did not involve any of their personal lives.

The researcher sent the confidentiality pledge to each of the four cases to explain how the data collected from each case would be handled and how the cases and the participants would be kept confidential (see appendix 3 for the copy of confidentiality pledge). The researcher was particularly cautious to keep the information confidential even within the same organisation. Interview invitations were sent to the participants via email, enclosed with predetermined questions. Every participant was asked if the questions were appropriate for him or her to answer. In the whole research, pseudonyms were assigned to case study organisations and the towns/cities where the cases were located. While the researcher was writing up the thesis, the participants were addressed by their positions in the organisations rather than by their names.

There were two occasions in the fieldwork when the participants shared information 'off the record'. The information was about two incidents occurred to Arts House and Business Park respectively. The researcher did not include these two incidents directly into the data analysis, since this was required by the participants. However, the participants' attitudes towards the incidents were noted as a reference for the analysis.

5.7 CHAPTER SUMMARY

This chapter has discussed the methodology used in this study. It started with the researcher's philosophical positions about how knowledge is created through the interpretation of people's understanding of multiple realities. It then moved on to the discussion around qualitative research approaches, where the case study approach was specifically examined to justify its appropriateness for this research. A multiple case study approach has been considered most appropriate to address the empirical questions posed by this research.

The chapter has then gone to the implementation of research. The researcher implemented the research by conducting a number of exploratory interviews with SE stakeholders in Scotland. The exploratory stage has helped the researcher to identify potential case study organisations according to sampling criteria. In practice, challenges occurred in the process of getting access to the case organisations. The researcher has detailed the difficulties and solutions. Four case study organisations were approached for the study.

It then discussed the data collection techniques and the consideration of triangulation to increase data validity and reliability. The data analysis has followed the grounded theory approach with the assistance of NVivo and Excel. The interview data were sorted into broad categories. The codes were grounded within the data and the literature was then revisited to base the findings in theory. Finally, this chapter has explored the ethical issues in this research.

The next two chapters will present empirical data and findings of the case studies. Chapter six will provide background information about the four case study SEs while chapter seven will focus on SEs' challenges and responding strategies to tackle challenges.

CHAPTER 6

FINDINGS PART I: AN INTRODUCTION TO THE CASE STUDY ORGANISATIONS

6.1 INTRODUCTION

Chapters six and seven will present the findings from the empirical study with the aim to address the research questions.

This chapter will provide background information about the four case study SEs. Drawing data from the interviews, observations and documentary analysis, the chapter reports the case study organisations' perceptions of SE and operations of SE. Two different viewpoints on what SE means and two different ways to integrate social and business missions have emerged from the data. This chapter helps to set the scene of this study before the findings of SEs' challenging conditions, strategies to tackle challenges and consequences of strategies are presented in chapter seven.

6.2 ARTS HOUSE

6.2.1 History

Arts House (AH) was located in Mill Town, Central Scotland. In 2008, it started as an art project in the local council's Town Centre Regeneration Programme. A small grant and free premises were awarded to the founder and chief executive, to start an art studio in the town centre. The chief executive offered free space for local artists to work in the studio and invited local residents to join various art workshops organised by these artists. The studio became an attraction for the community to meet together and enjoy arts. Despite its success, the council did not continue funding the project and the premises were taken back one year after.

Receiving plenty of positive feedback from local residents, the chief executive decided to set up an organisation on her own to continue the legacy of the art studio. In 2012, AH was incorporated as a private limited company with the asset lock. Mill Town was one of the most deprived areas in Scotland and had been suffering from the high unemployment rate and deprivation ever since the economic recession in the 1980s. AH gathered a group of volunteers, most of whom were unemployed and reliant on the public welfare for various reasons, such as long-term mental health issues and addiction issues. They were not tagged as beneficiaries or public service users in AH. The chief executive entrusted this team of 'volunteers' to take care of the day-to-day operation of AH and involved them in the actual decision-making process. A mutually supporting culture was thus fostered. The employability training side began to take shape when these volunteers built up their confidence and working skills through organising events, dealing with paperwork and even creating their own art businesses in AH.

The chief executive intended to build AH into a place to heal local residents, build up their confidence, enhance their employability and finally empower the whole community. AH stated the social mission on its website, 'Borne out of a need by local people to make a positive change for individuals and our wider community, to create opportunities and to increase choices for us all' (AH website, August 2017).

In April 2016, AH won the Community Award of the Scottish Government, which provided a one-year funding grant for recruiting two full-time and one part-time staff members. Months

later in August 2016, its funding application to the Big Lottery Fund was accepted, which provided AH with a three-year funding grant to employ four more paid staff members.

6.2.2 The perception of SE

AH was established on the chief executive's own money. She re-mortgaged her house to pool the start-up fund and rented three factory units from the local council. With the number of visitors growing, the chef executive started to consider incorporation. AH's regular visitors and the chief executive did not want to become a charity because the entity was often associated with a negative feeling of needing help. However, AH was supposed to 'create something positive'.

> *When we all talked about charity and we talked about the fact that it makes you feel as if you need people to help you. I know it's really linked because a charity can have a lot of money. At that time, that's how we found. We didn't want to be a charity because we were doing something positive. We wanted to grow and create jobs. (Chief Executive, AH)*

After consulting Firstport in Edinburgh, SE was determined as something that AH was doing and 'we like it because it empowers us to feel that we can grow something positive' (Chief Executive, AH). Although the chief executive emphasised that SE was the best term that explained what AH was, she admitted that AH was not able to focus fully on growing the business. It had to keep doing 'free stuff' to fulfil its social commitment, which, however, did not benefit the business side.

> *…we could probably grow the business if we didn't do so much free stuff. But we are definitely not like that. We need to keep doing the free stuff because that's how we get people in and how we actually support them, find out about them and connect with them. It's crucial for us. We've been looking at the dynamics of that. We do like being a social enterprise. I think it is the strongest way. (Chief Executive, AH)*

Interestingly, the chief executive mentioned a famous SE in Edinburgh that also provided on-the-job training services to marginalised groups. However, she doubted that SE's commercial focus and commented that the business model made little contribution to the social mission.

> *They are using homelessness to highlight business because they make donation or support to this. When you look at the actual percentages [of homeless employees], it's a tiny percentage. (Chief Executive, AH)*

It was also noticed that most interviewees developed their perceptions of SEs after getting involved in AH's operation. The board director A, for instance, had a commercial background and ran a business on his own. The concept of SE was confusing to him in the beginning. He had been worried that AH's business might fail for doing the free stuff. Whereas, by the time

of the interview, his attitude had changed. He accepted that a SE was not about business and would never be a proper business. He implied that the achievement of the social mission was more important and stronger enough to offset the deficiency on the business side.

> *AH is about unprofessional. A few years with the chief executive, expecting a business-like response was futile because you are not going to get it. What you get is actually a result. How was it achieved? You don't grasp it. You don't need to understand it. If it works, just let it. (Board Director A, AH)*

The new paid staff commented that SE consisted of both social and business sides. They shared a common understanding that a SE should 'sustain itself through all the activities' (Staff Member A, AH) and make 'as much money as possible so that we can keep it running and running well, and we can put, increase productivity and everything but claw that money back in' (Staff Member B, AH). The staff member B further pointed out that SE was a term for organisations that could not be clearly categorised into either charity or business.

> *I think with Arts House, I feel that it is called social enterprise because that it has to be fit into a box and that is the most likely box it can go into. Because it is not set up as a charity and it's not a profit-making business. So, it kind of ends up being a social enterprise. (Staff Member B, AH)*

Whereas, after working in AH for a while, the paid staff members recognised that the prevalent perception of SE within AH prioritised the social mission much ahead of the business mission. The emphasis on the social side was so strong that the staff member A even commented that AH's understanding of SE had actually 'lent ourselves to be a charity' (Staff Member C, AH).

The findings demonstrated the social-mission orientation in AH's perception of SE. Although both social and business missions were understood within AH as the pillar elements that determined SE, the perception weighted in favour of the social side.

6.2.3 The operation of SE

AH's business services consisted of three parts. First, it supported the local artists by leasing workspace and exhibition space at a low rate and duplicating their works in AH's printing house. It also took orders for normal printing and laser designs, which were the two main income sources. The second part included various hobby groups for local residents, especially the elderly and people with mental health issues, for which it charged a token entry fee. Third, it ran a small retail shop that supplied a wide range of art tools. Before the paid staff were employed, AH had heavily relied on public service users and volunteers from the local

community to provide business services and run the organisation. The chief executive thus played a double role as the manager of AH and the trainer of employability training services. Public service users, while receiving training, also composed the main workforce in AH.

The on-the-job training approach provided these long-term unemployed people with practical exercises to learn basic working skills and raise their self-esteem. The interviewees spoke affirmatively and highly of AH's dedication to helping public service users and empowering the community. The public service user A who had been with AH for years expected 'people to keep benefitting from this' because it benefitted her so much. She was then involved in organising and teaching an art class for local school kids. She appreciated the training and the working experience from the art class, since she received plenty of positive feedback from the participating kids and their parents: 'They say 'thank you' all the time.' (Public service user A, AH).

The paid staff members also acknowledged AH's achievement in employability training services. One of them depicted AH as 'a community-driven organisation, which seeks to include the community and the activities to build the confidence' (Staff Member C, AH). The staff member A affirmed the importance of AH's public services to integrate marginalised people: 'I think AH socially trying to give the opportunity to people who might not otherwise have the opportunity to participate in creative arts, to give the opportunity to volunteer.' Nevertheless, the paid staff members questioned the appropriateness of deeply involving public service users in providing business services. They argued that some public service users were not well enough and had limited skills to deliver the business services properly.

The findings regarding AH's operation indicated that the SE's social and business missions were embedded within each other. The achievement of training services directly affected the achievement of the business goals while the income generated from business services financially support the delivery of training services. It appeared that there was some tension in this close integration of dual missions in practice. This will be further elaborated in the next chapter.

6.3 BISTRO GALLERY

6.3.1 History

Bistro Gallery (BG) was a charity's trading arm. Its parent charity was established in 1995 and provided art therapy services to people with mental health issues in Mill Town, central

Scotland. Mill Town was one of the most deprived areas in Scotland. Around 2010, the local council launched a regeneration plan to build an art destination to boost the tourism economy. The parent charity responded to the regeneration plan and moved into new premises located in that art destination. Inspired by the Scottish Government's policy which promoted enterprising the third sector and supported SEs with numerous funding opportunities, BG was established in 2012 as a subsidiary company wholly owned by the parent charity. The SE started upon a five-year funding grant from the Big Lottery, counting for over £ 500,000 in total. It later received two smaller funding grants from the Coalfields Regeneration Trust and Creative Scotland.

BG aimed to address the gap in employability services for the recovery service users in the parent charity. The chief executive decided to start a training programme to equip them with basic working skills. BG thus employed one chef and one front-of-house manager to start up the hospitality business while these two posts were responsible for providing on-the-job training services to trainees. She explained that the SE model was also planned to financially support the parent charity by reinvesting the income from business services into the art therapy services, making the parent charity less dependent on funding grants.

Since BG's premises were located away from the town centre, its business was designed specially to serve the visitors to the art destination. The bistro sold food and drinks while the gallery shop exhibited and sold art products made by local artists. Nevertheless, soon after BG started its business, the local council withdrew the support to the art industry and the plan for the art destination terminated. Even so, BG kept operating and continued to offer trainee placements in its kitchen, front of house and gallery shop.

6.3.2 The perception of SE

It was generally recognised by the interviewees that a SE undertook both the social and business missions. Nonetheless, the interviewees also admitted that in practice the training programme was regarded much more important than the business side in BG. The chief executive admitted that BG had concentrated on the training services because they feared to lose the funding grants. Therefore, the chief executive and the staff were devoted to the training services.

> *I think one of the very difficult things at the very beginning was that I have really emphasised the training part. It was so important, more important than the income generation. Because if we do not have a training programme, we have nothing. So we have to have a robust training*

programme and that actually means a difference. Because that's what we've got funding for. So, if we don't have that, there is no more lottery funding. So everybody had agreed that we fixated on the training programme (Chief Executive, BG)

Interestingly, the chief executive commented on the same famous SE that was mentioned by AH's chief executive. She similarly doubted if the organisation was a real SE and questioned its social impact to marginalised homeless people: 'As a social enterprise, Social Bite, that's so commercial…There was a small minority are actually homeless. And the rest are absolutely professional.'

The emphasis on the social mission perhaps influenced the staff members' perception of SE, since all the interviewees identified BG as a SE primarily on the basis of its social mission. The importance of having a social aim and being embedded in the community was highlighted as the foundation of a SE by the interviewees.

A social enterprise must have a social aim, a social purpose. This is the foundation of business strategy so pull everything together, so everybody constantly works together towards that central theme. (Financial Officer, BG)

Social enterprise, three aspects, I suppose. As a community project, working with the community to develop a project…Whatever your social aims and missions are, obviously that's the main thing. You're working on about a not-for-profit organisation and working with the community, for the community. (Company Secretary, BG)

Noticeably, one of the trainers, the chef mentioned that working in BG reshaped her perception of what SE should do. The chef found it was hard for the SE to concentrate on both social and business objectives. She was 'focusing on the customers and food than the training programme' at the beginning of this job. Nevertheless, when she became used to a trainer, the chef put the training programme at the top of her list. Her understanding of SE turned from making food to generate business income to developing a strong commitment to fulfilling the social side. Similarly, the front-of-house manager gradually developed her perception of SE towards the social-mission orientation. Although she acknowledged her multiple duties in training and running the bistro, she emphasised the social side more than the business side: 'I primarily see it as a training programme, working in the bistro.'

6.3.3 The operation of SE

BG operated a planned training programme. There were three full-time trainers in charge of the three training areas respectively and one training coordinator to supervise the overall programme. After the one-day orientation, trainees would receive the on-the-job training for up to two years on a voluntary basis. Trainees did not pay for the training while they did not

receive any payment for working in BG either. They had the right to decide on how many hours to work each day and how many days in a week. Trainees would be evaluated by the trainers, the training coordinator and themselves regularly to monitor the progress. The training programme and trading activity were closely integrated given that the trainers and the trainees all had a double role. In addition to the training duty, the trainers also worked as the chef, the front-of-house manager and the gallery coordinator to take care of the business side. The trainees served real customers under the trainers' supervision.

The interviewees confirmed the training programme in BG was much more successful than its business side. The difference manifested in the way that the interviewees described the two sides. The interviewees spoke highly of the training programme and they were very confident of the benefit that the training had brought to trainees. For example, the training coordinator was proud of the training outcomes when she introduced how the programme worked.

> *This morning I just recruited my 140th trainee… Our ratio is, just up till last month, one in three trainees were getting work or going on further education. It's now around one in three and a half… It's 29% are getting work. It's a good ratio. (Training Coordinator, BG)*

Two former trainees, who later worked in the parent charity and BG confirmed the positive influence on them. The former trainee A commented that the training programme was 'pointing me a new direction' while the former trainee B felt 'quite proud of the work that we do'. Even the newly recruited gallery coordinator showed strong interest in the training programme: 'If I were out of work, I would jump the chance to work here because it's so good to have all these experiences they offer.'

In contrast to the assurance of the social mission, the interviewees' descriptions of BG's business side were completely negative. The chief executive called BG a 'monster' that needed funding resource instead of generating income. The financial officer and the bookkeeper pointed out that BG's current turnover was far from sufficient to cover its operating cost.

> *We won't be able to earn staff costs. Never mind the rent and overheads...If we suddenly double our takings tomorrow, it still won't be enough. (Financial Officer, BG)*

> *Claire (the financial officer) has a couple of years ago done a complete breakdown of what cost to keep this organisation open per day and we don't hit that target. We don't make any profit at all. (Bookkeeper, BG)*

BG integrated the social and business missions closely in their achievement and the SE realised the difficulty to become economically viable without compromising the training services. As remarked by the training coordinator, 'the needs of the trainees and the needs of the general public commercially sometimes can clash'. For instance, the company secretary mentioned that the absence of trainees was a 'huge problem to staff' because the front-of-house manager 'can be here on herself and that's a huge undertaking.' The attendance then became a problem, since some trainees did not turn up without requesting a leave: 'In those respects, they can be challenging, left, you know, a gap in your roster. I could be here alone, and this place could be full.' (Front-of-house manager, BG).

The findings demonstrated the social-mission orientated perception of SE in BG, which was derived from the intention to retain the funding income. Although the interviewees from BG recognised that generating income from the business services were an indispensable element to SE, their emphasis on SE's social mission weighed much more than that on the business side. Same as AH, BG embedded their social and business objectives within each other. While trainees were accepting employability training, they were also supposed to help BG to generate trading income by serving business customers. Nonetheless, the findings implied that BG's intention to embed the social mission in the business activity was challenged in practice.

6.4 BUSINESS PARK

6.4.1 History

Business Park (BP) began its life in Mining Town of Southeast Scotland. When the decline of the mining industry occurred in the mid-1980s, more than a quarter of the population in the town became unemployed. A group of ex-miners decided to organise a self-support group to help with the unemployment issue. They raised a fighting fund by asking local shops and businesses to contribute £5 a week. 12 months later, the self-support group raised adequate money to start a business on their own. They chose the business of insulation installation due to the big market of home insulation in Scotland at that time. The business generated around £60,000 in profit in the first year. Then the group registered itself as a charity to evade tax on trading profits and highlight its social side of enhancing local employability.

In the following two decades, BP expanded the business scope and grew into a company group wholly owned by a charity head office. As introduced on its website, BP was 'an award-

winning social enterprise comprising five operating companies, including Managed Workspace, Property Maintenance and Cleaning Services, Conference Centre Facilities, Training Services and Home Help Services' (Business Park website, September 2017). The five subsidiaries had their own management teams while they were overseen by the chief executive and the business manager in the charity head office. The chief executive stated that 85% of BP's overall trading came from business-to-business tendering.

BP's social mission included three aspects: preventing and relieving poverty by training for work skills, enhancing employment opportunities and, empowering the community. First, BP's training services company provided construction skills training and social healthcare training to local unemployed people and local school pupils. Second, the five subsidiaries aimed to provide job opportunities for residents in Mining Town. Third, BP reinvested profits into the community of Mining Town. At the end of each financial year, the subsidiary companies gifted their profits to the charity head office. Deducting the budget for the following year, the charity head office reinvested the remainder of profits into the training services and various community events, such as the annual Mining Town Christmas party, supporting poor families and regenerating the town centre. Additionally, BP kept identifying and addressing the social needs emerging in the community. For example, it established the home care services in 2011 to meet the demand for elderly care in Mining Town. This research focused on the employability training services, which was a cornerstone of BP's social mission.

6.4.2 The perception of SE

When responding to the question about perceptions of SE, all the interviewees stated that the term referred to a business that reinvested its profit into the community interest. The elaboration by the board director A was especially representative:

> *It [SE] was profit-oriented and profits ideally are something that back to the community, not necessarily but actually and obviously would return any success back into the community in that particular sense (Board director A, BP).*

The interviewees underlined the significance of a successful business, since it provided financial resources for the SE to build up the social mission. The chief executive described the business side as his 'fundamental belief' in SE because '…you cannot do what you do in the community unless you have a successful business…' The manager of cleaning services echoed this affirmation by saying that '…we can't do any of the things if you like, the goals of BP as a

social enterprise unless we are making money.' The manager of training services used the phrase 'wash face' to emphasise the importance of having a profitable business before giving out the 'goodwill'.

This sense of 'business first and foremost' also reflected in the interviewees' disagreement with SEs that were unprofessional in business. The board director B commented that most SEs in Scotland had focused too much on the social side and neglected the business side, which led to their heavy reliance on funding grants. However, he insisted that a real SE should never go down that route: '…we never want to get into that situation. We never want to be dependent on anybody, apart from ourselves.' (Board director B, BP). The manager of cleaning services and the manager of property maintenance services pointed out that some SEs were 'too laying back' and 'not running businesses as normal'. The chief executive directly criticised that SEs unprofessional in business had given the SE sector a bad name.

> *However, I'm reluctant to call myself a social enterprise because of the perception that the social enterprise sector has...Because we believe being a social enterprise is running the risk of damaging our brand. Social enterprise in general, unless our clients are very well informed some say them a sector amateur, not opt for the job, not business focused. (Chief Executive, BP)*

In opposite to the perceptions of SE that prevailed in AH and BG, BP held a strong opinion that the term referred to an essentially profitable business entity that reinvested its profit into the social commitment. The findings demonstrated that a business-mission oriented perception of SE prevailed in BP.

6.4.3 The operation of SE

In line with the perception, BP had applied its business orientation to the daily operation. This was reflected in three aspects: recruiting experts from the private sector, expanding business-to-business trading and, assessing success based on the financial performance. First, the chief executive informed that 'our managers are selected and employed based on their commercial skills and experience and are only focuses and judged on the commercial success of the business.' The interviewed managers all mentioned that they had had years or decades of working experience in the private sector before joining BP. Apart from the management team, the board of BP was composed of directors with a range of expertise that could contribute to the business side.

> *…so, mine comes from the communication area. Other people come from... For example, the board director B comes with EU consultancy and fundraising background. We have someone who previously worked for legal. So, we are building a board which has its savvy to look into*

> *governance, our legal people, our HR people…We bring on people with particular areas of expertise… (Board Director A, BP)*

Second, the interviewees underlined BP's professionalism in business-to-business trading activities and its capacity to bid for public contracts for training services. The chief executive even exposed the dark side of tendering rules. He revealed how one contract holder had manipulated the tendering rules to help BP win the contract. There were also times when BP lost in contract bidding, but the chief executive said that they accepted the loss, as they accepted the betrayal and the manipulation as a part of the normal competition that BP had to confront as a business.

> *When we tender for a work you find out when we are going to get it. We went through the dance we usually do and we didn't get it. Organisations use the procurement rules to get the result they want. Sometimes we benefit from that. Sometimes we don't benefit from that. That's a fact. That's a reality and that's actually what's happening. (Chief Executive, BP)*

Third, each of the subsidiaries was assessed completely by its financial performance. The chief executive clarified that BP did not consider the social impact or the social achievement as a part of performance assessment. He viewed the business performance as the only standard while 'the delivery of social goals and objectives is delivered higher up the ladder'.

> *We judge them (the managers) on the ability to run a business. For instance, somebody has an annual appraisal, and he says the business didn't do well this year, but I did employ 10 more people. We will be asking why your business hasn't done well; why you haven't met what you are supposed doing. Okay, you employed 10 people very good. What was the performance? (Chief Executive, BP)*

All the managers in BP would come together once a month to discuss business issues with the chief executive. The managers of the cleaning services recalled that managers had to present a monthly business report on 'what's been happening, what's changing, having you got new business, did we make a profit, did we not make a profit and why did we not make a profit.' (Manager of cleaning services, BP). The manager of maintenance services added: 'We go through profit or loss. I think we bring up anything is relevant, and you are a part of the business.' Nevertheless, the social side was not mentioned at all when they introduced these managers' meetings.

The observation of the board meeting also demonstrated the sole evaluation of the business side. The chief executive reported the second-quarter budget results to the board, justifying the over budget part and the business loss. During the meeting, the board directors did not

raise any questions about the social side. The discussion merely regarded the income, expenditure and strategic decisions on the business side.

In contrast to the close integration of business services and employability training services in AH and BG, BP's dual missions loosely connected in practice. The social and business sides shared human resources and costs, assets, human resources whereas the two sides were complementary with rather than embedded within each other in terms of mission achievement. The income generated from the business activities financially supported BP's social activities including the training programmes whilst its social mission leveraged the organisational assets, such as expertise, relationships and fame.

6.5 SECURITY & PUB

6.5.1 History

Security & Pub (SP) was established in 2012 as a Community Interest Company (CIC). The chief executive discovered a problem of low wage and low working skill in the security industry. Thus, he started up SP, a security company in Scotland, which reinvested the profits into upskilling training for the security staff and paying the staff a living wage. SP recruited security staff as any private companies did while the SE gave extra training sessions to off-shift staff to help them develop skills above the required levels of door supervision. The free training also qualified staff to obtain seven to eleven certificates in the security industry. Meanwhile, SP collaborated with the Prince's Trust to deliver a training programme for long-term unemployed people between 18 to 25 years old. The training programme consisted of five-week in-class learning of security skills. In the first, third and fifth weeks, SP invited various security companies to meet with trainees and introduce the companies to trainees. At the end of the training, SP either referred trainees to these security companies or employed them itself if it had vacancies.

In 2015, SP moved its head office to Castle City in Southeast Scotland. In the same year, the chief executive expanded SP's business scope and opened the first social enterprise restaurant bar in Castle City. The restaurant bar continued SP's social mission to enhance the youth's employability. The hospitality training was composed of five-week in-class teaching and eight-week on-the-job training. SP aimed to equip unemployed young people with the necessary knowledge and skills in the hospitality industry and enable them to work in any bar

or restaurant in the UK. By early 2017, SP operated two restaurant bars in the main commercial districts and one café near a public leisure centre in Castle City.

In late 2017, SP's businesses were expanded again and the SE set foot in the distillery industry. The chief executive launched SP's own gin brand in Castle City. This new business of SP just commenced when the fieldwork took place. The idea of social enterprise gin was to sell it in SP's own restaurant bars to raise fund to support overseas volunteering activities for young people

These three parts of the business were separately incorporated, operated by three management teams and boards while the whole SP was supervised by the same chief executive. The security manager and the bar manager oversaw the security business and the bar business while they also worked as the trainers in the two training programmes respectively. Trainees of the security training programme were not involved in the security business while trainees of hospitality training programme had to work and serve real public customers in restaurant bars during the training programme. At the time of data collection, the hospitality training just took off and therefore the research focused on the security training services in SP's social side.

6.5.2 The perception of SE

SP's management teams and the board directors had rich experience in private businesses. All the interviewees had either worked in the private sector or run their own companies before joining SP. The reinvestment of profits into the social mission was highlighted in their perceptions of SE. The chief executive emphasised that a true SE 'trades, generates profit, reinvests profit back in the social objectives' and he stressed repeatedly in the interview that 'first and foremost, we do business.' In addition, he criticised those organisations that identified themselves as SEs but were actually 'subsidised' by funding grants or donations.

The security manager and the bar manager had never worked in any SEs before. Whilst, the bar manager believed that SE should be a successful business in the first place, since 'you can't invest profits if you don't make profits.' The security manager shared a similar view that the financial success was the precondition for achieving the social mission: '[SE's] economic [aim] is to raise money to run it as a business so you can get half of the finances to put them back into the community, and back to the people.'

The three voluntary board directors referred the term SE to 'a proper business' that should 'benefit the community' (Board Director A, SP), generate money to 'invest in the social aims' (Board Director B, SP), and have 'the commercial ledge with a social purpose' (Board Director C, SP). The board director C explained that he invested his money and time in SP because he would like to support a social mission. However, he was not interested in supporting a pure charity and thus SE's business nature was appealing to him.

> *I thought it was an opportunity to give some of my time back a little. But I'm also interested in enterprises that can be commercially successful. I'm not at the stage of my career where I've got enough time simply to go and work for a charity alone. I like the idea of giving back but I like the idea of SE that is genuinely an enterprise, is genuinely a business. (Board Director C, SP)*

The findings demonstrated that the interviewees from SP all perceived SE as a business-mission oriented organisation that reinvested its profit into the social commitment. The emphasis on business success in SP resembled the prevalent opinion on SE in BP while contrasting with the priority of the social mission in AH and BG. The four case study organisations thus fell into two groups according to their divergent perceptions on the term of SE.

6.5.3 The operation of SE

SP's business orientation reflected in four aspects of its daily operation. First, SP traded like a private business. The phrase 'do business' was frequently used by the interviewees to distinguish SP from charities or SEs that did not take the business side seriously. The terms like 'contract', 'tender', 'sales' and 'profit margin' were mentioned by the interviewees to illustrate substantial trading activities in SP. For example, SP's security company generated income through bidding for security service contracts from the public sector. The chief executive especially stated that SP was as professional and serious in trading as any other private companies: 'There is no special procurement [for SEs]…We do procurement and that's how we get all our public sector contracts.'

Second, SP competed with its service rather than with the SE title in the market. The chief executive was proud of being the 'only SE in the private security industry' in Scotland but he emphasised that the quality of SP's security service sustained the business, 'The product is really great so they are buying the product [security service]…And the product is very very different from other products in their experience. It's not we can do it cheaply.' The security manager also pointed out that SP's rivals were all private companies and the competition in

the market actually was even fiercer for a SE, since 'you're competing against other companies who can offer that low price because they are not filling that mission of SE's.'

The bar manager recognised the intense competition in the hospitality industry as well. Nevertheless, he saw it was normal for any bar businesses. To stand out in the market, the manager focused on how to improve SP's service quality to attract more customers rather than forcing customers to pay more for SP's social mission.

> *What's very important to me is this is a pub, or it's a bar, it's a café, or it's one of these and I don't want to overcharge people because we are a SE. Because that goes again to what I believe SE to be…You don't expect the people to do the good on your behalf. So by charging more on them by giving you more money just because you are doing good doesn't work for me…We are very much relying on people coming in, saying what you actually do is a really great pub for a start. And we have a great thing behind it, which is definitely getting there. (Bar Manager, SP)*

Third, SP's had turned the social mission into trading activity. An important part of SP's social mission was the security-training programme for unemployed young people. The training was co-delivered with the Prince's Trust. The chief executive compared the relationship with the Prince's Trust to a 'family-ship' that 'brings the young people to us and we deliver the training on their behalf.' Noticeably, the interviews with the security manager and the two board directors revealed that the collaboration was more of a contractual relationship. The collaboration continued as both parties benefitted from the programme socially and financially: 'It's a win for us because we are making some money from that, we are making use of our SE, and Prince's Trust is achieving their social mission and they are not having to divert resource to that problem.' (Board Director B, SP).

Fourth, the interviewees had a consistent view of growing the business in practice. The chief executive repeated that making an adequate profit was the sole way to sustain the social mission. Board director B asserted similarly that the business was the foundation to achieving the social mission: 'Get the business right and everything else will be fine after that.' The security manager also preferred to grow business on the ground of avoiding losing the market share to other private companies: '…you have to keep on developing it. Because if you don't, it will soon be taken by the other private companies out there who are not into the social statement…'

The finding demonstrated that SP employed a similar loose integration of its dual missions as BP did. The business side financed the training services while in return, SP gained the credit for the delivery of the social mission, which raised its fame.

6.6 CHAPTER SUMMARY

To summarise this chapter, it has introduced the background information of the case study organisations. The findings are threefold. First, the findings demonstrated that SE is an umbrella term encompassing a range of organisational forms and activities. The case study SEs were in different legal forms, including company limited by guarantee, CIC and trading arm to a charity. Second, although all four case studies recognised the hybridity of SE in terms of having a primary social aim and employing business activity to generate trading income, their perceptions of SE split into two types: social-mission orientated SE and business-mission oriented SE. AH and BG represented SEs that prioritised the achievement of the social mission while treating the business mission secondary and accepting funding income. On the contrary, BP and SP represented SEs that emphasised the enterprise entity and the business success which guaranteed the financial resource to achieve the social mission. Third, the integration of social and business missions also split among the case study SEs. The close integration of dual missions was demonstrated in AH and BG, where the social missions and the business services embedded in each other in the form of on-the-job training. The loose integration of dual missions was found in BP and SP, where public service users were not involved in the SEs' business side. The employability training services financially relied on public service contracts and investment from the SEs' business profits.

This chapter has sketched out the case study organisations. Attention now turns in chapter seven to the in-depth exploration of their practical challenges and how they tackled challenges.

CHAPTER 7

FINDINGS PART II: SOCIAL ENTERPRISES' CHALLENGES AND RESPONDING STRATEGIES

7.1 INTRODUCTION

Following chapter six, this chapter will continue presenting the findings from the embedded case studies regarding the challenging conditions occurred to the case study SEs and their strategies to tackle these challenging conditions.

This chapter will present 16 challenging conditions in total, among which Arts House reported four, Bistro Gallery reported five, Business Park reported three and Security & Pub reported four challenges. The main purpose of this chapter is to explore the case study SEs' responding strategies under various challenging conditions and to understand whether SEs can achieve resilience through these strategies. The findings from each challenging condition will be presented but separated by case. The structure of this chapter will be as follows: it will outline the cause of challenging conditions and the major impact on the SEs. It will then present a detailed account of the case study SEs' responding strategies and processes with quotations from the interviews and observation as evidence.

The challenging conditions emerged both internally and externally; and they affected the case study SEs in various aspects, including their public service delivery, business service delivery, financial management and internal governance. The case study SEs were found to make flexible adjustments to operations in response to most challenges. Whereas, formalising routines and using repetitive strategies were also among the SEs' strategies to tackle challenges. A summary of key findings from the challenging conditions and the case study SEs' responding strategies will be presented at the end of this chapter to pave the way for the following discussion chapter.

7.2 RESPONSE TO CHALLENGING CONDITIONS: ARTS HOUSE

7.2.1 Overview

Interviewees expatiated on four challenging conditions that AH had experience and tackled. These challenges ranged from disturbance from public service users, challenges to attract business patronage, cash flow crisis to unsuitable internal structures. The following sections will present these challenges and AH's responses to them in details.

7.2.2 Challenge in public service delivery

No.	Challenging condition	Response
1	AH dealt with public service users who had mental health issues and social problems.	• Creating a feeling of equality for the public service users • Avoiding pressures on the public service users; • Empowering the public service users to run the organisation.

The chief executive said that most of AH's public service users had mental health problems and some had addiction issues. Since they came to use AH's training services on a voluntary basis, it was difficult to motivate them to come to AH every day to build up their working skills and social skills. Besides, AH needed to attend to public service users' mental health conditions all the time. The chief executive implied that there was always a latent threat that public service users could disturb AH's operation due to their unpredictable conditions of mental health: 'So if somebody comes in with a bad mood, he can send the place crazy straight away.' (Chief executive, AH). She emphasised that AH was built on a harmonious atmosphere, which attracted people, both public service users and business customers, to come to AH and enjoyed the relaxation. However, when there were emotional tensions, the atmosphere was broken and that drove people away from AH.

Response: Creating a feeling of equality for the public service users

The researcher noticed in the interview and the observation that AH had its special way to address the service users in the organisation. The chief executive said that AH did not differentiate the service users from people who were fully able to volunteer. Anyone willing to connect with AH was called 'a volunteer' rather than 'a service user' or 'a client'. During the participant observation of daily operation, a service user shared her story with other people over lunchtime. She said her mental health counsellor referred her to a mental care centre, where she felt labelled as a mental health service user in that centre. However, she

enjoyed going to AH because she was 'volunteering' there (Field Notes, 24 May 2016). Staff member B believed that the 'ethos of being inclusive and involving people' was AH's strength to attract people to keep coming back to the organisation: 'It can create an atmosphere that people come in and they are welcome to. It means that a lot of the volunteers [service users] who need to build on their confidence to do things, may have mental health problems can come in and they can be…because it is equal to everybody in there so that is very positive.'

Response: Avoiding pressures on the public service users

The chief executive said that she was careful about not putting any pressure on public service users: 'They don't have a family to support them or the education whatever and [when] they feel pressure, 'We volunteer, and we can just walk away.'' The chief executive thus insisted on building an atmosphere to 'keep people together.' She said she did not mind playing the role of 'a joker' in AH to listen to people and try to understand people when they were in a bad mood. Although she had wished to recruit a psychologist to provide proper counselling to public service users, AH did not have any adequate resources, the monetary resource specifically, to do so. Thus, she had to attend to public service users' mental health conditions and tried to empathise their situations: 'It's not sympathy but empathy. That connection with somebody is hugely important… What I'm doing here, they said I should put the title of 'glue' on my business card. I can talk to anybody and I feel comfortable with that.'

In addition, the chief executive insisted on face-to-face communication with public service users. She was aware that they were lacking in self-belief, family support and education so a wrong way of communication could cause pressure on them. In her dealing with public service users, she found that communication via email did not work for them, since some volunteers were illiterate and some did not have a mobile phone. The chief executive had to choose face-to-face communication although she understood that it was time-consuming and could not generate any income out of it. Nevertheless, she was very pleased with the result of her effort as some of the most difficult ones were confident enough to greet business customers to AH.

> *Now people, Gavin [one of the volunteers] and others, who couldn't be in a room with all others, now are in the front house of AH. Every time somebody walks through that door, they are there. That is incredible. (Chief Executive, AH)*

Response: Empowering the public service users to run the organisation

Before AH was awarded the Scottish Government's grants and the Big Lottery grants to employ paid staff members, the chief executive had relied enormously on the volunteers and public service users to operate all the activities. The public service user A (one of the service users), who was in charge of the Saturday art class for local kids, informed that the chief executive recently facilitated her to conduct the financial analysis of the art class. She had been involved in the Saturday art course as an assistant until the chief executive later encouraged her to lead the course. She had never worked on the financial aspect before. That was her first time to analyse the real cost of the course she had been running.

With the chief executive's assistance, the public service user A was then able to complete two analyses, one on SWOT and one on the operational cost. She said that she had to consider alternative scenarios to calculate the cost because at that moment, everyone in the course, including the chief executive, volunteered: '…the chief executive, for example, she is here most of the time, just covering the building as a volunteer. She can actually get a wage. That is to be taken into account. It's like four wages altogether.' Besides, she learnt to gather 'hidden' figures that were taken for granted before, such as the rent of venue: 'The cost of the room and everything included. And the time actually, it takes to set up and to set down, the decoration costs. Actually, the whole taken into account, it's a huge amount of money.' The volunteers grasped through the analyses that the admission fees she had charged did not cover the cost.

Then the public service user A looked into possible solutions to relieving the high cost and compared the advantages and disadvantages of each solution. She said about raising the admission fee but then she was worried about how many participants could afford the price. She rejected the idea of applying for funding because 'obviously funding being quite shaky. If you are going to get it, you need the application and stuff.' Her final suggestion was fundraisers. The public service user A confirmed that AH had 'benefitted me so much'. She underlined at the end of the interview that AH should continue: 'I want it to do well. I want people to keep benefitting from this… we need to make sure we are still here so that our people can benefit from it.'

In the management side, the chief executive introduced that AH had three layers: the chief executive, the team of volunteers and public service users, and the board. However, there

was no hierarchical relationship between the three layers because the chief executive intended to keep everything transparent for anyone connected to AH. For instance, public service users had access to any information about the organisation, including board meeting discussions and financial situation: 'All of our team, they can all sit down and ask about board. We talk about money all the time. Everybody knows everything. We don't keep anything hidden.' (Chief Executive, AH).

Summary

The findings showed that the chief executive attended to public service users' demands closely in the delivery of training services. Through constant interactions, she was informed that public service users sought for acceptance, empathy and support. In spite of limited resources that hindered AH's service facilities, the chief executive made full use of her capability and personality to inspire public service users to complete the training. In this way, AH created a relaxing atmosphere together with public service users' effort, which prevented them from a mental breakdown. Staff member A said that AH showed its 'openness', 'friendliness' and 'welcomingness' to public service users. He commented that AH had given 'the opportunity to people [public service users] who might not otherwise have the opportunity to participate in creative arts, to give the opportunity to volunteer.'

7.2.3 Challenge in business patronage

No.	Challenging condition	Response
2	Operating in a deprived community AH had difficulties to attract business customers to spend money.	• Consulting with the community for advice on diversifying business services; • Considering the price for the deprived community; • *But neglecting the quality of business services*

AH operated in a deprived community where people did not have much money to spend in the organisation. Gaining patronage was more than a means of generating income to AH. The chief executive expected to attract more business customers from the local community so that it could identify potential public service users who needed support from AH's training services. At the meantime, AH refused to 'sell the sad story' about its social objectives to earn sympathy money, since it was determined to 'create something positive' through business

trading rather than receiving donations as a charity. These factors resulted in a challenge for AH to attract patronage from the community.

Response: Consulting with the community

The chief executive compared AH with other organisations that she knew in the same community and concluded that she did not want to make AH 'be looking at just a small area' like what other organisations did. AH's business services should fit in the diverse demands from the community: 'Because actually, you can't just sit there doing the same thing day in and day out. Because people change. So, you have to change. But you have to listen to them and be ahead of them…Because our community wanted all sorts of different things.' (Chief Executive, AH). For her, listening to the community helped AH understand what the community needed and guided AH to set up new business services to meet the need. AH had a 'core team' consisting of a dozen volunteers from the community. The chief executive met with the core team regularly to collect information about what was going on in the community and what AH could do for the community.

> *What we have on the ground, which is almost like a sort of board is the core team of a dozen of us. We meet constantly every week. We discuss and we talk. We listen to what other people say. I've been hearing this happening and yes, I heard that as well. Do we think we can make it work? Let's give them some space. Let's try and back them up. So, it just works like that. We make a lot of decisions. I just feed up and I email people on the board and say, 'what do you think to this?' If we can get feedback, then we will go with it. It's very organic. (Chief Executive, AH).*

This was echoed by public service user A, who talked about how AH ended up with diverse business services. She believed that AH was 'community-led' in nature because AH asked the community to raise what people wanted and responded to the needs.

> *The community is diverse. So, it's [AH is] community led. So, we are trying to take care of as much as possibly we can... Just led by the community more. They are asking for the more complicated… 'What are your needs?' We don't know any needs but that can be generally increasing employment… And other people think confidence... I think that's a result as we are a reflection of the community (Public service user A, AH).*

In addition to consulting the community for business services, AH entrusted the community to operationalise the ideas of new services. The chief executive recalled an example that AH spent the first two years in inviting residents from the community to conduct any projects or any ideas in their mind.

> *What we did, because I threw money in to begin with, we spent two years in experimenting having fun and just trying stuff. It was a fantastic melting pot. Just people coming in with what*

they wanted to do and ideas. That's a luxury. These two years were massive luxury for our organisation and for the community… I don't know any organisation has done that. (Chief Executive, AH).

The chief executive was not even worried about the organisation when she was not in AH or she had to take time off because she knew that volunteers from the community understood what AH was about and 'everybody mucked in and helping [with running AH]'.

At the time of fieldwork, AH's activities included low-priced rental spaces to community groups, exhibition space renting to local artists, a printing house, a laser printing studio, a retail shop for local residents to buy art tools easily and various art classes, such as the choir, the knitting club, the painting club and so forth.

Response: Considering the price for the deprived community

AH's community-led ethos also manifested in the low price that the organisation charged for the business services. AH aimed to build a platform through its business services for people in the community to connect and regain the solidarity in this deprived community. The chief executive was cautious about the price that the community could afford to come and enjoy AH's services. Therefore, the organisation charged business customers at a very low price. For example, those who participated in the knitting club would pay two pounds per person for one session. Although the chief executive was aware that AH could not build a profitable business through such a low service charge, she decided to compromise the business income for the patronage from the community after weighing the two. She explained that AH could have grown the business if 'we didn't do so much free stuff' but it was more imperative to 'get people' and 'connect with them'.

The paid staff members who joined AH later recognised the fact that its business services were more concerned with business customers' affordability than the organisation's income source. Although they understood that this decision manifested AH's community-led ethos, they felt the tension between sustaining the business and achieving the social objective.

For example, one of the ways trying to make money is through a printing business. But we want to work with people who wouldn't be otherwise able to afford to go to a big printer or doing things on a small scale. That actually makes it very difficult to make money from that work. So, the ethos of this place, being socially responsible actually makes it very difficult to bring money in. (Staff Member B, AH)

I see it as a community-driven organisation, which seeks to include the community and the activities to build the confidence but also attends to sustain itself through all art activities. The activities that are provided for the community, they are…they cost us a lot. That side is not

sustainable. I don't think that…It's not enough to take two pounds to a class, for some instance, which I appreciate it needs to be the case to people to be able to come to the classes. (Staff Member C, AH)

Response: Neglecting the quality of business services

Alongside the concern over the financial performance of business services, AH's new paid staff members expressed some disagreement with AH's approach to delivering business services. Public service users and community volunteers were heavily involved in AH's business services delivery and this approach did not change even after the paid staff assumed the posts. The staff member A pointed out that public service users were not fully able to undertake some tasks in the business services, since they could not handle the pressure of completing tasks within a limited time. This led to a serious delay in the service delivery, which made business customers frustrated with the service quality and stop using AH.

So, we also have a business, the printing side of business. We rarely invoice people. Do you know we still invoice people from 6 months ago? We never get work done at the time we said. We never get back to people. So, people tend not to reuse us because they have a bad experience… It's just people [the service users] are always under so much pressure, so much stress, so much time limitations. We are never fully able to deliver in the timeframe that we give. (Staff Member A, AH)

The staff member C stressed that AH's did not have any internal structures to differentiate the responsibility taken by public service users, community volunteers and paid staff for delivering business services. AH was well equipped with the necessary tools and machines that facilitate the organisation to carry out a range of business services. Nonetheless, the confusion of responsibility between people who delivered the services hindered the business process. In her opinion, AH's insistence on the status quo negatively affected the quality of business services. The services could be disrupted at any time if people involved in the delivery misunderstood their duties or failed to fulfil the duties.

But in a sense, that's not correct if everybody, regardless if they are paid or volunteering is responsible [for delivering business services]. That can't work. Because you can't just say to somebody who is volunteering 'We need you to do this!' They merely not. If they don't, the structure falls apart. That for me is one of the biggest things. I just think to create a business or to create several businesses, which they have setting there, embroidering, T-shirt printing, copy making, laser machine, printing press, all the amazing stuff. But it won't work now due to the lack of process... I'm supposed to be building a business of laser business. The only information that I can give is there are particular business tools or templates that created. Before I go out and speak to somebody, I need to know that things are going to work inside. Otherwise, if I go out there, all falls because I thought you are going to do that. (Staff member C, AH)

The chief executive implicitly admitted that the organisation could generate more business incomes 'if we can dedicate the time to it'. She acknowledged that AH's business services lacked focus and consistent work due to the public service users delivering services had too many issues to guarantee consistent work. However, she did not take any action to mitigate this known tension. She seemed unwilling to deprive these users of working experience, which actually was what AH aimed to achieve socially.

Summary

The findings demonstrated that AH interacted actively with people from the local community to understand their demands for new services. AH mobilised community volunteers and public service users to help the organisation and empowered them to decide how to diversify business service items to meet these demands. AH thus seemed to embed itself in the local community and to diversify its business services swiftly according to the community's demands. Whereas, the findings also revealed that AH neglected some information about business service quality. Compared with its swift adjustments to service items, AH did not seem to attend to the business quality. One explanation was that public service users' limited ability failed to meet the expected service quality whilst AH refused put pressure on them as a way to protect them. The low quality of service caused the loss of re-patronage on one hand. On the other, it exposed the substantial tension between AH's dual missions as a SE.

7.2.4 Challenge in financial management

No.	Challenging condition	Response
3	AH did not have enough cash in the account balance to pay the rent.	• Mobilising the community for contingent sales

The chief executive recalled a cash flow crisis in AH that almost drove the organisation at the edge of bankruptcy. AH's largest expense item was the venue rent paid to the property owner, the Mill Town Council. It cost £15,000 a year. Noticing the Scottish Government's policy trend in empowering local communities, the chief executive successfully contacted the Scottish Government and requested the Scottish Government to negotiate with the Mill Town Council to exempt AH's rent. Nevertheless, the negotiation failed. AH received a payment reminder of £7,500 from the Mill Town Council in January 2015, which stated that AH had to move out of the venue if the outstanding bill was not paid within three weeks. It caused a potential crisis of closedown, since AH did not have that much surplus in its account balance.

Response: Mobilising the community for contingent sales

The chief executive sat down with public service users and volunteers from the community to discuss if AH should continue under this challenging condition: 'So we sat down and said 'Do we keep going? Should we bother?' And everybody was in fighting modes. So, we thought, 'Yes, we will [keep going].'' (Chief Executive, AH). Then AH undertook a contingent sales approach and hoped it could lead to a steep increase in the income. The organisation discounted everything in the retail shop to boost sales. The chief executive promoted the printing services around the town, trying to obtain more printing orders. The volunteers set up the fundraiser event, 'coffee morning', within the community to appeal for support for AH. In the end, AH raised £7,500 within three weeks through this contingent sales activity. The chief executive said that AH was in a 'lucky' situation. She was not only 'happy and pleased' but also proud of the fact that the volunteers and the service users managed to turn the adversity and kept AH alive.

> *We just worked out and bounced up to get the money in and that's the way we do the business... So early this year we were self-sustainable. First time we've been there properly. Really happy, really pleased. We nailed it. We've gone from owing the council to nailing it. And then because I had to take time off, we just lost it like that. We are behind but we will catch up with it again. It's consistently hard work. (Chief Executive, AH)*

Staff member A commented that AH was good at convening people from the community to 'offer different things, different expertise, different knowledge, different ideas' and to 'turn things around in that small amount of time'.

It was interesting to denote that contingent sales activity was used frequently by AH. During the field observation, a private company donated a large number of leather scraps to AH. AH sold all the scraps later and generated a sum of income. The board director A gave another example of Christmas sale to boost AH's income. He mentioned a retired couple, who volunteered in AH for several years. Together with another volunteer, they organised a craft fair before Christmas to sell handcrafted goods donated to AH by people from the community. All the sales income went to AH's account. The board director A appreciated the retired couple who made a lot of effort to support AH. At the same time, he was very proud that this kind of contingent sales activity assisted AH to generate considerable profit: 'They [the volunteers] made a couple of pounds short of a thousand pounds in three hours on a Saturday.'

Summary

The findings showed that AH valued the community's opinion and counted on the community to get through its first cash flow crisis. It seemed that AH took in the information about this successful experience and developed the contingent sales activity into a strategy to tackle insufficient cash flow. The findings demonstrated that contingent sales became a routine method that was adopted repeatedly in AH. It was all seen as an effective way to facilitate the organisation to catch up with breakeven outside its regular business services.

7.2.5 Challenge in internal governance

No.	Challenging condition	Response
4	The new paid staff attempted to enforce a hierarchical structure in AH, which created tensions between themselves and the old team, including public service users and volunteers.	• Dismissing the 'rebellions' among paid staff members

Noticing the Scottish Government's policy trend in empowering local communities, the chief executive started to share AH's stories of enhancing Mill Town's self-sustainability and solidarity on the internet. The chief executive successfully pitched the Scottish Government's Grant for Strengthening Communities Programme 2016/2017 and AH was awarded nearly £70,000 to support its requirement of employing two full-time staff and one part-time staff for one year. According to the grant award notification, the three posts were a senior development manager, a business development manager and a part-time financial officer. The three new staff members were supposed to explore, manage and monitor AH's self-generated revenue streams and enable the development of AH as a self-sustainable SE. In August 2016, AH was awarded another funding grant from the Big Lottery Fund Scotland Awards. The grant of £149,920 was assigned to employ four part-time staff members for three years.

Six months after the new staff members worked in AH, however, the chief executive turned to be disappointed with them. In the chief executive's opinion, the new staff did not follow her expectation to deepen what AH had been doing, dealing with people from the community. She complained that the paid staff did not complete the task she assigned. On the contrary, they attempted to change the inclusive working approach she created for AH.

From the paid staff members' perspective, the lack of hierarchical structure impeded them from fulfilling their duty to build the business side for AH. The staff member A explained that

AH's organisational structure invited everyone on the decision board but there was no reporting mechanism for him to report a problem. Besides, the structure did not distinguish the contributions from the paid staff, public service users or volunteers, which made it difficult for the paid staff to present what they produced. The staff member B pointed out that AH's 'inclusive' structure was equal to 'no one is really in charge', 'no allocation of responsibility' and 'no accountability things', which led to the confusion of responsibility for business operations.

Response: Dismissing the 'rebellions' among paid staff members

On learning that the new paid staff attempted to set up a hierarchical structure, the board director A felt that they had issues to work with public service users and tried to keep public service users away from business services delivery. He criticised that the new paid staff members were busy with changing AH, 'starting projects with no obvious benefits' or 'installing new paperwork system…not doing the place any good'. The board director A was unhappy about this situation:

> *…we don't need change. The last thing we should ever do is to change the volunteer [public service users] because I saw different experiences in these people. They are making a genuine attempt to pull themselves back. By doing that they have helped other people…If you introduce a level of organisation, if that organisation is not sensitive to the volunteer ethos, it would destroy it. (Board director A, AH)*

The chief executive also noticed some pressure on public service users after the new staff created their new agenda to change internal structures. She tried to adjust the approach to ease the pressure but felt frustrated: 'Now we are making a core team around each activity because individuals [public service users] fear to take full responsibility... It's hard that people [the paid staff] don't understand AH but try to enforce things on AH…'

The public service users A commented that the new staff members personally were 'very nice' and 'they are a part of the team'. Nevertheless, she found that the funded posts were problematic because what designated these posts did not match what AH did: 'The jobs themselves, I don't feel they are actually AH's jobs as such. They are the Scottish Government's jobs. They are Big Lottery's jobs. We are doing them for their instructions that they give us because this is their money. Basically, you have to do such and such they have asked for.'

The chief executive and the board director A were worried that the paid staff members would devastate AH's longstanding ethos of closely engaging public service users and community volunteers. They decided to take a strong measure against the paid staff members.

> *So, either we have to re-inform our paid staff or at some stage to decide that maybe they are not the right people, which is not a pleasant situation. But maybe that is a contribution if there is one I can make. (Board director A, AH).*

After the interviews, staff member A informed that AH did not renew the employment contract with him or with staff member B. Staff member C informed that she did not pass the probation in AH.

Summary

The findings suggested that AH entirely ignored the paid staff's appeal for hierarchical accountability to improve the business service delivery. The chief executive and the board director relied on their previous knowledge that the existing inclusive structure benefitted public service users and community volunteers. They presumed that a hierarchical structure would clash with AH's insistence of inclusiveness and refused to adjust the organisation towards the paid staff members' suggestion. Additionally, the chief executive and the board director saw the paid staff as challenging AH's public service users and community volunteers. They thus decided to dismiss the paid staff members. This incident again, however, exposed the tension between developing AH's business services and its purpose to protect public service users and community volunteers.

7.3 RESPONSE TO CHALLENGING CONDITIONS: BISTRO GALLERY

7.3.1 Overview

Interviewees expatiated on five challenging conditions that BG had experience and tackled. These challenges ranged from the shortage of public service users, disturbance from public service users, challenges to attract business patronage, the financial deficit to unsuitable internal structures for business services. The following sections will present these challenges and BG's responses to them in details.

7.3.2 Challenge in public service delivery 1

No.	Challenging condition	Response
1	Users from the parent charity were not willing to attend BG's training programme and the referral agency did not cooperate with BG's training aims.	• Building relationships with referral agencies to ensure recruitment of suitable trainees

First, when the employability training services started, BG had a crisis to recruit trainees from its parent charity. The charity users did not want to move to employability. The chief executive later found that these charity service users had been in services for so long that they were happy about the situation and did not want to progress to employability.

> *It's almost like everybody [in the parent charity] is shy away. It's almost like the fear. Some of our members have been in [mental health] services for such a number of years. That's all they know. And they are quite happy. They don't want to progress to employability. Sometimes they just for whatever reasons are not wanting to take a big step. That's quite frustrating when you see this person has got a great potential. (Chief Executive, BG)*

Since BG integrated its training services with the business service delivery, the shortage of trainees directly affected the workforce available to provide the business services. Additionally, BG received the funding grants from the Big Lottery Fund to conduct the employability training and the shortage of trainees hindered the organisation from achieving the promised social objective.

Response: Building relationships with referral agencies

The chief executive introduced that BG gave up the original plan to recruit trainees from the users of its parent charity. Rather, it turned to referral agents, such as the Jobcentre Plus, local schools, and the Integrated Mental Health Department of Mill Town Council, to recruit trainees from 'external people from the community'. The liaison work was undertaken by the training coordinator, who had worked in the Mill Town Council for more than 20 years and joined BG after her retirement. The training coordinator introduced that she worked with these referral agencies to carry out the two-stage recruitment. With the Jobcentre Plus, for example, the training coordinator went there to meet and introduce the training programme to potential trainees who were recommended by their job advisors. Then she would interview and recruit those who were willing to be a trainee.

The training coordinator recalled some incidences that the Jobcentre Plus had referred candidates in the past who were not suitable to attend on-the-job training because of severe

learning difficulties and low interest. Later she learnt that the job advisors referred them to BG anyway because the Jobcentre Plus was eager to take them 'off the books'. The candidates registered for the training, since they were afraid of sanctions for not taking the opportunity. However, these candidates failed to attend the training sessions and left BG with unsuccessful training records. The training coordinator realised that she must make the referral agencies and individual candidates fully understand the purpose of BG's training programme. The candidates had to be willing to join the employability training. She took action to update the referral agencies with BG's training programme regularly by giving presentations to the advisors in the Jobcentre Plus. The research observed one recruitment session at the Jobcentre Plus. During the session, the training coordinator underlined repeatedly to the candidates that they might leave the session if they were not interested in BG's employability training and the Jobcentre Plus would not sanction them for leaving the recruitment session.

The training coordinator admitted that she needed to keep a good relationship with the referral agencies so that they would refer proper trainees to BG: 'You just do what we are doing, which is having relationships with Jobcentre, a good relationship with the management and with the advisors so the advisors know about us. So, they can see your point this project down the road…' In the interview, the training coordinator informed that she was invited to the Jobcentre Plus in Falkirk, a neighbouring council area. She said the geographical expansion had never happened in the past. She attributed this success to BG's 'good reputation' for the employability training.

> *And I went over to Falkirk last week and I did a presentation to over 35 work advisors, work coaches and management. And we are having two from Falkirk coming tomorrow. So, we have an ongoing process and we've never been able to break in Falkirk. We had a couple of people sent from Falkirk but normally we don't have because of the distance away. The Jobcentre [in Falkirk] wanted to locate us because we have a good reputation, so they are now pushing their clients to come in. (Training Coordinator, BG)*

Summary

The findings suggested that BG identified the new information about trainee candidates quickly after the original recruitment plan failed. Meanwhile, the training coordinator's working experience facilitated access to various referral agencies. While working with referral agencies led to a new challenging condition of unsuitable trainee candidates, the training coordinator adjusted her communication with referral agencies to improve the mutual understanding about the training programme. The interactions kept BG updated with

demands for training services. The organisation built on the information and expanded the trainee sources, which seemed to prevent a further shortage of trainees.

7.3.3 Challenge in public service delivery 2

No.	Challenging condition	Response
2	BG dealt with public service users who had mental health issues and social problems	• Customising training services according to public service users' conditions; • Monitoring the service users' progress regularly

The training coordinator and the trainers introduced that BG's public service users had various issues that prevented them from employment, such as mental health problems, learning disability and social issue. It was a difficulty for the trainers to motivate the public service users to show up at the training sessions and learn to serve in BG's bistro effectively. Since BG integrated its training services with the business services, the front-of-house manager admitted that the absence of trainees substantially left 'a gap in your roster'. It was especially challenging when the bistro was full of business customers to serve. The chief executive also noticed the issue caused by trainees though she tried to understand and support trainees.

> *We try to make it available to help, continue to keep the replacement. But it's so difficult if people are just having a genuine failure on that day. Because at the end of the day we still need that book to fill so it's that balance between sometimes [trainees] not fit to work, and [customers] still to be served. It's difficult. (Chief Executive, BG)*

Response: Customising training services for the public service users

The training coordinator of BG was a qualified teacher. She recognised that trainees had the common issue of low self-esteem, but it was caused by various reasons, such as mental health issues, learning disability or the lack of communication skills. Therefore, she was determined to treat each trainee as an individual case: '…wherever they [trainees] are, in the gallery or kitchen, they do at their own pace, with their own strength, and with their own challenges.' The former trainee A introduced that there were no fixed working hours for trainees. The training plan adapted the training plan to trainees' own conditions. Trainees were allowed to choose the most appropriate workload to learn working skills.

> *We adapt for each trainee. We don't set, for example, like 16 hours for every trainee. You might find some trainee can only do 3 or 4 hours a week. That's all they can do and that's great as long as they can get the best benefit from…If you can do 16 hours a week, that's fine. If you can take 20 hours, that's brilliant. It's entirely down to them. (Former Trainee A, BG)*

The front-of-house manager mentioned that the trainers, including herself, were aware of trainees' differences in learning ability and their different preferences of learning approaches. She tended to provide various and sufficient support as the trainees required: 'You can't train everybody the same way. Some people like to be shown. They like you to show them, to watch you. Some people like you to stand with them. So then do it.' In practice, the front-of-house manager had developed some training tactics to suit the trainees' conditions. For instance, the new trainees were usually terrified of the job, since they had never done it before. The front-of-house manager said she would use verbal encouragement under these circumstances, but she never did the job for the trainees: '…you get a lot of 'I can't do this'. 'No! You can! Come on!' We go nurturing… They say, 'Trainer, I can't do the job.' They come and they know a couple of times they expect you to do it. That's not my back here at all.'

The trainers also took the trainees' mental health conditions into account and paid close attention to their anxiety. The front-of-house manager noticed that some trainees were reluctant to ask for help and would keep quiet. Once she found the trainees were panicking, she would leave them some space to calm themselves down.

> *But what I've learnt is over the years, to begin with lots and lots of different things. But sometimes you can be over pressed. When I found that one [trainee] was over pressed and no one was helping, you will probably to pull them [trainees] back and say you sit down here. So, you got to be very careful with that. (Front-of-house manager, BG)*

The chef resonated that most trainees were shy and closed. 'They didn't speak to other trainees.' Her strategy to handle the situation was to foster teamwork with the trainees. She treated them as her co-workers: 'I think we know we belong to a team so it's like you know we work as a team. Everyone you know, that's everything. Eveline, she's a trainee and she's doing everything. I do the same.' The chef believed that this equal relationship enhanced trainees' confidence in their working ability. She also assured that the best part of the job was to see that the training programme was 'for them [the trainees]': 'It's really nice to see how they become more confident.'

The former trainee B mentioned that she had a passion to establish her own art business when she was a trainee in the gallery shop. She called it a 'shift' from her training to be a gallery coordinator, but she felt fully supported by BG to pursue the self-employment. The trainers recommended various business seminars for the former trainee B to participate and BG allowed her to sell her artworks in the gallery shop: 'I felt like I was totally supported from

here to do that [self-employment]. And I think being on a traineeship here, you are supported to figure out what you want to do, and you are given the help to go on and do it.'

Response: Monitoring the public service users' progress regularly

Alongside customising training services for individual trainees, the training coordinator of BG designed the 'self-development plan' of the training programme. A series of learning outcomes and formal indicators were designed for the self-development plan. The training coordinator first taught the trainers how to use these indicators. Then, the trainers and the training coordinator altogether conducted the assessment monthly to ensure that the trainees were making progress. Additionally, the training coordinator considered a part of her job was 'to get them [trainees] to see the progress as well'. Thus, she arranged individual meetings with the trainees every month. She assisted the trainees to assess the progress by encouraging them to talk about their 'self-perception' of what they learnt and how they felt in the past month.

> *My job is to get them [the trainees] to see the progress as well. So, you sit down with someone once a month. What you've been doing in last month. How do you feel to get on and let them speak. And then I say to the trainer how do you think they are doing. Because what I want to hear is self-perception… (Training Coordinator, BG)*

The front-of-house manager intended to develop the trainees' interest in working step by step. She deliberately assigned some basic tasks to trainees at the beginning and then 'build it up, build it up until the end you [trainees] like it.' In terms of building trainees' working skills, the trainees had followed the self-development plan and taught the skills from easy tasks to difficult ones: 'We go through these skills records... Can you use the coffee machine with support? Can you use tools with support? So, they [trainees] have to get one [skill] in order to get through into [another]. There are all different things, all customers, taking orders, processing the orders through the till.'

Summary

The findings demonstrated that BG was able to interact with public service users to understand their specific demands for training. The training coordinator and the trainers sensed the differences in public service users' learning and social abilities. They, therefore, adjusted the training approach accordingly to meet individual users' learning preferences so as to motivate users to stay in the training programme. As the front-of-house manager commented, after years of experience the trainers could quickly identify public service users'

needs and apply the correct training approach to them: 'I let them [trainees] lead.' The progressive nature of the training programme also seemed to encourage public service users to recognise their progress and find out what to improve. The findings suggested that BG customised the services to prevent trainees' absence from the training.

7.3.4 Challenge in business patronage

No.	Challenging condition	Response
3	BG's location disadvantaged the organisation to attract business customers	• Promoting new menus and food; • Extending business hours; • *But neglecting business customers' expectation for service quality*

The chief executive repeated in the interview that BG's location was the biggest downside in gaining business patronage. It was distant from the town centre and was not located in any 'destinations' where people normally visited: 'I think the majority of our [business] customers, to be honest, do travel to us.' (Chief Executive, BG). Additionally, the building where BG situated used to be a primary school and it did not look like a bistro from outside. The financial official agreed with the chief executive that the location was the reason why BG struggled to gain patronage: 'Our location isn't the best. And that's the reason why sometimes we struggle to get people… We can't change that… There are a lot of my friends driving around the roundabout and haven't noticed we are here.'

Response: Promoting new menus and food

The chief executive underlined that the high quality of food distinguished BG from other restaurants or cafés in town. She mentioned a newly opened fast food restaurant in the town and concluded that its food could not compete with BG's, notwithstanding the cheap price. The training coordinator added that BG was a 'bistro' and it was 'generally for people who can afford bistro prices'. Positioning itself as a bistro providing decent dining, BG thus put up advertisements at different media to make its food more visible to the public.

> *We've tried all forms of marketing. We've tried all forms of activities, shall we say…We have poster campaigns. We have leaflet drops. We've got the website. We've got the Facebook. We've got TripAdvisor. We've put it in the local paper as much as we can… One another thing we haven't done but we tend to put it separately as a radio advertisement on Central FM, which is a local radio station. (Chief Executive, BG)*

The company secretary showed an archive of BG's media coverage, most of which came from a local press, the Mill Town Advertiser. She explained that BG's property owner had a good relationship with this local press and BG did not need to pay for advertisements. Therefore, BG regularly advertised its up-to-date menus, new products, special evening events and training stories on the Mill Town Advertiser. She also informed that social media was another approach to marketing. BG's staff members had started to post the pictures of food, products and events on BG's Facebook and Instagram homepages to draw wider attention. The front-of-house manager added that BG was officially registered on the TripAdvisor website and received the TripAdvisor recommendation sticker. She was proud that BG had received the Healthliving Award, a national award for the foodservice sector in Scotland. In 2016, BG was among the finalists for the Mill Town Council Business Awards.

Response: Extending business hours

10 months before the Big Lottery's five-year funding ended, the chief executive decided to implement new strategies to boost BG's business. BG used to be closed on Mondays for the team meeting and extra training sessions while Sunday was the holiday for trainees and trainers. The chief executive presumed that opening at weekends might appeal to business customers who had time then for coffee and shopping: 'Ultimately, it is sad not to have a coffee shop and a shop open at the weekend. That's when they [the public] go shopping, isn't it?' She decided to cancel the Monday routines and hire several part-time staff to fill in trainees' and trainers' holiday shifts on Sundays. BG's business hours thus extended from five days a week to seven days a week.

Interestingly, the chief executive confessed that the extension of business hours was not a pure effort to increase business income. The chief executive had her intention to impress the funders and to increase the chance for getting funding grants after the current one ran out.

> *We have to create an income …And make sure we prove to funders as well. Let them see that we try to make improvements. For example, we just think in June we started to open 7 days a week…It's twofold. I can't go to the funder and say, 'could you give us that money?' And they turn to say, 'why you close two days a week? You could make that money yourself.' So you have to try it. (Chief Executive, BG)*

The extension of the business hours was not completely welcomed by everyone in BG. The training coordinator particularly felt that the decision undermined the social side for occupying her Monday training sessions: 'There are some trainees who need extra support, extra help so extra training, extra nutrition. So, I usually had training days on Mondays… I

need time to do that [training] but we have no time now. No time at all. We are 7 days a week to make money.' She understood that BG had to be more economically viable, but she insisted that should happen in the premise of not compromising the training programme: 'Sometimes I feel, not at a war but sometimes I feel that I'm here to protect trainees programme. And sometimes there would be tension between me and money-making.'

Response: Neglecting business service users' expectation for service quality

Despite the marketing measures to making BG's food more visible and the extension of business hours, the interviewees expressed their frustration at the bleak business. As the front-of-house manager said, 'It seems we are doing the right thing. We just didn't get the word out there, get people through the doors.' The bookkeeper recalled that she once convinced some friends of hers to visit BG. Nevertheless, her friends never came back again: '…there are places cheaper and closer to them, so you just think they are going there.' The bookkeeper said that BG once launched a customer satisfaction survey and the feedback was overwhelmed with the price issue: 'Everybody is like 'you are not paying this price in Mill Town.''

One of the bookkeeper's friends complained about the slow service in the survey. Interestingly, the chief executive acted defensively towards the negative feedback on service. She criticised some business customers being inconsiderate of trainees: 'Customers are just obviously disappointing kind… They are never interested if this is your first day, never been outside the house for six months. They are not interested in that. They just want their lunch to be on time.' The chief executive was not the only one who defended for trainees in BG. The front-of-house manager resonated the blame that sometimes business customers' expectations for service were 'ridiculous': 'I don't think that you can at all tell a difference [of trainees] sometimes… It's not like there are loads of mistakes, loads of. It wasn't.' The chef also suggested that customers should take the training programme into account and bear with the slow service.

Summary

The findings revealed that BG compared itself with other catering organisations in town and concluded the poor location as its greatest disadvantage and the food quality as its competitive advantage. The organisation demonstrated the ability to identify free resources to promote its new menus and utilise limited finance to adjust the business hours. The

findings also showed that BG ignored business customers' feedback on service quality. The possible explanation was that public service users' limited ability failed to meet the expected service quality whilst BG refused to put pressure on them as a way to protect them. The low quality of service caused the loss of re-patronage on one hand. On the other, it exposed the substantial tension between BG's dual missions as a SE. Moreover, the training coordinator's comments on the extended business hours further evidenced the tension between training public service users and running the business services at the same time.

7.3.5 Challenge in financial management

No.	Challenging condition	Response
4	BG suffered from financial deficit due to the decreasing funding grants and the limited income from business services.	• Chasing new funding grants

Funding grants were a vital income source for BG. The chief executive explained that her original plan was to use the profit generated through BG's business services to support the training programme and the parent charity's mental health services. Nonetheless, she created 'two monsters', 'two charities' that both needed funding support to survive. She was pessimistic about BG's ability to be financially viable without funding support: 'I think we won't be sustainable and never be able to be totally away from funding, the grant funding… I don't see it [BG] sustainable. Free from funding is really difficult.'

The Big Lottery's five-year funding grants for BG's training programme was awarded to the organisation annually. The bookkeeper and the training coordinator explained that the Big Lottery used a phasedown funding approach. The organisation's expenses were 100% funded in the first year. Whereas, from the second year on, the percentage would decrease: 'So each year the grant reduces and the ability to generate has to increase to match. So, it's been a constant trouble or challenge.' (Training Coordinator, BG). The former trainee B described that 'every year' BG had a panic about funding grants because 'there is less funding'.

Besides, the financial officer conducted a detailed breakdown to show the daily operational cost and the least income BG had to generate every day to be breakeven. The bookkeeper informed that BG never hit the target while the financial officer added that even if BG suddenly doubled the current daily taking, it was still insufficient to reach the breakeven.

Response: Chasing new funding grants

Facing the financial deficit, BG counted on the chief executive to seek new funding grants to go through the crisis: 'When the income here hasn't been as much as it is needed, the chief executive's managed to fill it in with another funding. We managed to fill in the gaps and they've always been quite fortunate.' (Bookkeeper, BG). The chief executive introduced that alongside the Big Lottery, BG received funding grants from four more sources. The People and Communities Fund, a Scottish Government's funding project, covered the BG's staff salary. The Canning Duncan Award covered the operational cost in BG. BG also received a small funding grant from the Robertson Trust, for which it specially created a new garden farming project under the training programme. The chief executive said that her plan for the following funding applications would focus on the continuity funding grants from the Big Lottery and the People and Communities Fund. Whereas, she had to lower the expectation, since funding opportunities, especially for long-term funding grants were shrinking. She learnt that the success ratio of funding application used to be 25% but now it decreased to 10%. Even the staff from the Big Lottery advised BG to be more realistic in the funding application:

> *Back to a couple of months later, we [the chief executive and the staff from the Big Lottery] met and had the discussion here. I want to apply for the regeneration fund… His advice was 'don't go for the large because you won't get it. But it's 60% has been passed for the medium grant programme, 250,000.' (Chief Executive, BG)*

The gallery coordinator worked in BG for three months when she was interviewed. Interestingly, she commented that everything in BG was about funding. She gave an example of her proposal to change the environment of BG because it did not look like a bistro from outside: 'And I went to their cafés and it was just, you know really inviting, hanging baskets. And I think walking into here is not so…You would just pass it.' She talked to the chief executive about her ideas to renovate the environment, but she was frustrated that BG did not have the budget for her proposal unless she could find the funding for it.

> *I just think this could be done differently or it's a shame we don't have money to spend on things like making a little more inviting. That makes me want to look for funding, which is not my position… But it all refers to money. I noticed every idea that I have is underpaid. That's a great idea but you also need to find a funding for it, which is a bit like a knock in the teeth sometimes. Because I feel so enthusiastic to help this place out but it's always you know, you need the money to do it…It's all just about funding, isn't it? I suppose it never isn't. (Gallery Coordinator, BG)*

Summary

The findings suggested that BG was capable to identify information about diverse income sources. The chief executive utilised her network with the funding bodies and applied for funding grants to keep the organisation going when its original plan to general all income from business services failed. It seemed that BG took in the information about successful experience in funding grant applications and developed it into a routine strategy to tackle financial deficits. The findings demonstrated that chasing funding grants happened repeatedly in BG as an effective way to overcome financial difficulties and bring in more financial resources.

7.3.6 Challenge in internal governance

No.	Challenging condition	Response
5	BG's original financial system was designed for a charity and did not work for business services.	• Reforming the financial system • *Raising staff's financial awareness but with limited effect*

BG's first financial officer had worked between BG and the parent charity but predominantly worked for the latter. The charity had very few transactions each year. Whereas, with BG opening to the public, the financial officer had to handle the till system and the report for the HMRC and VAT. The role became heavier for the financial officer who had only dealt with the charity's accounts before. 18 months after BG was established the financial officer resigned.

BG then recruited a new financial officer who had worked in the private sector before and a bookkeeper who was familiar with the SAGE accounting system for business use. The bookkeeper described BG's financial system as a nightmare when she first took over the job. In her opinion, BG should have had the budget forecast so that whenever BG needed to purchase, the bookkeeper could inform the staff of the spending cap. However, she found that BG did not have that mechanism in place: 'When I came in, that [the budget forecast] was still being done but it wasn't forecasted. It wasn't projected. Therefore, there was always a catch-up. It's like the last minute 'oh you need to do that' and it doesn't work.' The financial officer added that BG's VAT rate was wrong when she started her position.

Response: Reforming the financial system

The new financial officer then scaled down the financial systems that she used in a private corporation to fit BG. She started with correcting the VAT rate: 'So we had a huge clear up to data to find out what was right, what we had to correct, the sales going to date. And just clear up.' Then she made sure all the staff recorded the transaction of every deal and put the correct VAT rates for takeaways or eat-ins. The bookkeeper started with tidying the invoices: 'Every time when an invoice coming in, I know it's there and that I've scanned it and I've put it in a folder.' The financial officer and the bookkeeper together set up the budget forecast system in BG. The financial officer was responsible for setting the budgets and the bookkeeper decided which account would pay the specific expenses. All the financial information was recorded in a spreadsheet to report to the funders and to forecast the budget. The financial officer and the bookkeeper both worked part-time in BG whereas their working hours increased quickly form seven hours a week to 21 hours a week.

In 2016, BG purchased a new till system that could record more information that enabled BG to analyse the business performance down to details: 'If we aren't sure which table is doing well, we should be able to go into the till, slide the tables and understand.' (Financial Officer, BG).

Response: Raising staff's financial awareness but with limited effect

The chief executive admitted that she emphasised the training part as 'more important than the income generation' at the beginning. It took her and the staff 'a long time' to realise that BG was not fully funded by grants. It had to generate business income on the top of funding grants but 'not everybody is completely in an awareness.' (Chief Executive, BG). The chief executive commented that the new financial officer and the bookkeeper attempted to instil a culture of 'thinking ahead of costs' in BG. The financial officer said that she had been trying hard to educate the staff about financial accountability. A few years ago, she did a presentation of financial knowledge at the basic level to show the staff 'how much money we need to get into the till, how much money we need to get from the funders'

Nonetheless, the financial officer and the bookkeeper still found it challenging to hold everybody financially accountable. The staff in BG proposed ideas of new menu whereas they rarely considered the physical cost or the commercial output: 'So for me, my role can be quite challenging… These are all great aims. These are all great ideas but what is the commercial

output here? Is there going to be a financial benefit or a physical cost? Is it still worthwhile doing that? ... It constantly matters.' (Financial Officer, BG). The bookkeeper illustrated the challenge with her experience of discussing the price of Christmas hampers sold in BG. Although the financial officer and the bookkeeper tried to explain the real cost of the hampers, the staff did not listen and insisted on their own pricing: 'Even down to the labouring everything, we got it quoted out, [and] we still had nothing.' The bookkeeper pointed out that the staff had a strong mindset that their salaries were covered by funding grants and therefore any income they generated was the profit. She warned of the latent risk of this mindset: 'If you are underperforming and your job was to bring in the money to the door, but you weren't. Sooner or later there would be a consequence for that. So. I think sometimes it's the mindset that people aren't fully understanding.'

Summary

The findings demonstrated BG's ability to identify the problematic financial system that challenged its business service side. BG utilised its limited financial resources to employ financial staff with corporate accounting expertise to reform the financial system. The two financial staff members set up the budget projection and continued improving the till system to fit BG's business side. Meanwhile, they attempted to raise financial awareness within the organisation. The findings uncovered that the staff members stuck to their previous knowledge about budgeting and refused new information from the financial staff. This led to limited improvement in the staff's financial awareness.

7.4 RESPONSE TO CHALLENGING CONDITIONS: BUSINESS PARK

7.4.1 Overview

Interviewees expatiated on three challenging conditions that BP had experience and tackled. These challenges ranged from the drastic decrease in training outcome rate, competition with private companies and the incompetent board for business services. The following sections will present these challenges and BP's responses to them in details.

7.4.2 Challenge in public service delivery

No.	Challenging condition	Response
1	BP's training programme did not suit the trend of labour market and the referral agency ceased the collaboration with BP drastically.	• Collaborating with referral agency to start new training services; • Restructuring and delivering training services without referral agency

BP did not have any training programme at the beginning. The organisation was originally established to tackle the issue of unemployed ex-miners in the local community. Following the success in the insulation business, BP expanded to property cleaning services and property maintenance services to employ more ex-miners and local unemployed people. Entering the 2000s, the unemployment rate in Mining Town decreased to under 5%. Whereas, BP found that in-work poverty was a more imperative problem. BP thus started up its construction training services for low-skilled workers and young school leavers. After the training, trainees would be awarded qualifications to work in the building industry. Having connections with some big building companies, BP could easily recommend trainees to jobs: 'we got people [trainees] into jobs, no problem at all. We were achieving 85%, 86% positive outcomes for people who were coming for our training.' (Chief Executive, BP). However, the construction industry declined sharply after the economic recession in 2008. There was no building company employing people and BP's training outcome rate decreased drastically: 'From a very good success rate then we went to a very bad one.' (Chief Executive, BP).

Response: Collaborating with referral agency to start new training services

The chief executive then inquired about emerging industries that still employed people under the recession. The Jobcentre informed BG that the social care field in Mining Town was growing and demanded a new labour force. Identifying the trend of the labour market, BP decided to expand the training service to deliver a social care training programme. Since the organisation did not have any knowledge about social care, it conducted some research on the most basic social care service for the elderly and employed a social care manager who had rich experience in the field.

> *'…we knew nothing about that [social care]. We were a construction and property company. We thought okay. We went and ran a bit research and we opened a social care training programme. We funded that and we trained people predominantly to look after elderly people at their own homes. It was all about getting people home from hospital, keeping them at hospital, trying to address that issue... We run construction training and falling apart. We are in the middle of recession; nobody was knowing anything. Something was going. It's social care. It became very obvious to us if that's growing, that's what we need to be. It doesn't matter if we don't know anything about it. We hire someone who does know something about it.' (Chief Executive, BP).*

In the next step, BP began to explore financial resources for this new training programme. The board director B said that BP wanted to start up the new training programme as soon as possible but 'if we've just done it as a business, that would cost us a fortune and the risk would be massive because of the timescales.' Instead of fully funding the social care training

programme, BP used its social side to reach out to various funders who could supply the start-up funding and share the risk of setting up a new initiative. 'What we are able to do is to access as various as possible funding from different sources from the government, from local government, from the European Union, also from our own resources.' (Board director B, BP). In addition to financial resources, BP went into partnership with the Mining Town Training Services. As the trainer in BP introduced, it was a training institute attached to the Mining Town Council and had been providing vocational training services for around 20 years. The Mining Town Council paid BP to deliver the training services on its behalf.

Response: Restructuring and delivering training services without referral agency

The collaboration for the social care training programme did not last long. The manager of training services in BP informed that the Mining Town Training Services later appropriated the copyright of social care training programme and ruptured the collaboration with BP. The manager of training services soon rejuvenated the training services. BP retained the construction training services. Meanwhile, it abandoned the previous social care training. The manager of training services reorganised the opportunity to become a Scottish Qualifications Act 2002 (SQA) approved centre to deliver the awards (practice-based work qualifications) service. Being an SQA centre, BG was then qualified to bid contracts from the Skills Development Scotland to provide funded training services.

The manager explained that BP did not design its own training materials anymore. The trainers taught the Scottish Vocational Awards Social Services and Health Care courses. At the end of the training, trainees were assessed against the SQA benchmarks and BP awarded them the qualifications accordingly. The manager of training services illustrated this reorganisation of training as 'rolling over' from the adversity and helped BP win its own place: 'I suppose when we talk about resilience, one of the things we do is rolling over and saying, 'We can't do this anymore.' We say, 'Let's do this in our own rights.'… Because of that resilience, we will wait for the chance, wait for the opportunity to grow again.'

Noticeably, the manager of training services informed in the interview that BP was always ready to restructure its training programmes again. It all depended on if BP could retain its current training contracts. For example, she said BP collaborated with local schools to deliver construction training for school leavers, which was successful at the moment. Nonetheless,

whenever the schools decided to cease the contract, BP would close the construction training programme accordingly.

Summary

The findings demonstrated that BP's ability to discover new opportunities for training services constantly by collecting new information about the labour market and the trend of training institutes. Additionally, it showed the capability to identify new resources and utilise its own financial resources to realise these opportunities. The manager of training services used her expertise in social care training to set up the new social care training programme for BP and restructured the training programmes when BP was forced to give up the social care training programme. The findings revealed that BP was always prepared to restructure the current training programmes to ensure the continuity of overall training services.

7.4.3 Challenge in business patronage

No.	Challenging condition	Response
2	In the business service side, BP had to compete with private companies.	• Guaranteeing the high quality of business services; • Utilising the SE title to attract business customers

The chief executive stated that 85% of BP's total business income came from business-to-business trading. It was a normal practice for BP to compete with private companies for business service contracts. The chief executive highlighted that the SE title did not benefit BP in the contract bidding, since the contract price was still the principle rule: 'I can think two large contracts we've lost here to private suppliers, multinational, billion pounds turnover companies. And this is local authorities and housing associations. So, they're taking away from us, a social enterprise and gave it away to a multinational.' The manager of cleaning services resonated that the competition with private companies was intense and it was difficult to retain business service contracts, since private companies could offer a lower price.

> *There are other people knocking on doors, trying to get contracts and someone will give a price…It's a lot cheaper than you are charging. So even that means you've got a great service for two, three years long and then they [business customers] decide they will make a change. (Manager of Cleaning Services, BP)*

It was difficult for BP to offer low prices for its business services, since the organisation insisted on paying the National Living Wage, which increased the contract cost. Besides, BP bore the expenses of its social objectives, which made the contract price even higher.

Response: Guaranteeing the high quality of business services

Facing the competition with private companies, the manager of cleaning services said that the high quality of services was the key to retain business customers' contracts. He assured that BP's cleaning services had never lost any contract because of poor service quality. He always 'looked after' his business customers and tried to make the services more convenient for business customers. For example, he noticed that some business customers ordered small cleaning services from different providers, which was inconvenient as business customers had to call different providers when there was a problem with the service. He then proposed a combination of all the basic cleaning services to business customers, including office cleaning and window cleaning. Although BP did not have professional window cleaning staff, it subcontracted the work to another company. The manager of cleaning services intended to build BP into 'the point of contact' and BP was the only one that business customers needed to contact once there was a problem with cleaning services.

> *And also being professional and honest as well I think to the clients [business customers]… we try to give them a combined service… So, if there is a problem with window cleaning, they don't phone the window cleaning company. They phone us and we sort it out. And something with hygiene delivery or some of the paper towel issues of them, they would contact us, not to whom they get the delivery from. We are the point of contact all the time for these things. (Manager of Cleaning Services, BP)*

Alongside the manager of cleaning services, the manager of maintenance services concluded the high quality of services as the essence of gaining business: 'Service! Service! Service! Obviously and honestly.' He mentioned that his business services involved a lot of 'small reactive work' for housing associations. Efficiency was then a determinant factor to service quality, since housing associations normally accommodated needy residents who needed to be back to their residence as soon as possible. The manager of maintenance introduced that he always kept a prompt and smooth communication with business customers to inform them of the working progress.

> *My customers are very happy with the service I give them. For example, if they have a problem, I will email them exactly…so from the start of a job. For example, they [the housing association] phone me on Friday they have a job. If I cannot start till Monday, I will tell them. I will email them when it is starting, when it's finishing. If there is a problem, 9 times out of 10, there is no problem. (Manager of Maintenance Services, BP).*

Moreover, the manager of maintenance services highlighted that he always informed the business customers of any mistakes during the service delivery: 'They [business customers]

are always 100%, 'that's great, no problem' as long as you upfront with them. So it's all about service, nothing else.'

Response: Utilising the SE title to attract business customers

Although the SE title did not benefit BP in the contract biddings, the manager of maintenance services and the manager of cleaning services acknowledged that the title sometimes helped them to draw business customers' attention in the business negotiation. The manager of cleaning services noticed that when he introduced BP's contribution to the local community to new business service users, they were impressed by saying, 'it does mean something.' Additionally, he always appreciated the existing business customers in the annual business review report for doing business with BP by writing a paragraph at the end to remind them of BP's social contribution to the local community: 'Your continuous partnership with BP helps us support the communities, Mining Town and wider communities in Midlothian.'

The manager of maintenance services recalled a meeting with a business customer. He said that this business customer was pleased with BP's good and honest services. Whereas, he appreciated more the fact that BP dedicated its profit into the local community and decided to maintain a business relationship with BP.

> *He [the business service user] really appreciated what we do here in BP. He said the ethos of giving the money back to the community is all of that. He is also pleased with BP because we give them a good service and are honest with them. He told me that those other people out there, they are terrible. They rip off others and just after money…. And he liked the idea of giving money back to the community. That's why we get the business. (Manager of Maintenance Services, BP)*

Summary

BP recognised its competitive disadvantage in price and its advantage in business service quality through the competition with private companies. The findings demonstrated that the managers in BP communicated promptly and honestly with business customers to understand their demands for services. The managers were always ready to utilise their expertise to solve business customers' latent demands for services, which underpinned BP's business patronage. Furthermore, BP learnt from the business negotiations that the organisation received credit for its SE title. The organisation thus mentioned the SE title to draw business customers' attention alongside the business services it provided.

7.4.4 Challenge in internal governance

No.	Challenging condition	Response
3	BP's board was dominant by directors from the community who lacked business knowledge and were not helpful with business development.	• Bringing business professionals onto the board; • Strengthening monitoring over business performance

BP had undergone major reconstruction to strengthen its business capability of the board a few years ago. The previous board consisted of 12 directors who all came from the community background. The chief executive complained much about these directors' ignorance of business issues: '…community people are commenting on things that don't need commenting on. All they are asking questions that don't need to be asked. And I think the businesspeople also understand when you leave something to the management team. I don't think community people get that… For the community, everything is a board decision.' The chief executive said his executive team could cope with insufficient business support from the board, but BP then had to count on the executive team to run the business, which was 'not particularly good governance'.

Response: Bringing business professionals onto the board

In response, BP reduced the number of community directors to seven, among whom one was the board chair. The chief executive, who had a previous background in the private sector, utilised his network and invited his acquaintance and former co-workers to serve BP's board. Six new business directors were recruited in the end: 'So we brought on a charted accountant, a specialist in HR, a specialist in business management, somebody for health and safety. So, we brought people from the industry.' (Chief Executive, BP). Although the community directors still outnumbered the business directors, the new directors brought BP more business insights. In the chief executive's opinion, the new business board directors pushed BP's business forward, since they were capable to advise the executive team on business issues:

> *The business side [of the board] asks very few questions but are very difficult to answer... The executive team can be challenged and that makes the business work. So, the business side of it at least gives me as a chief executive, somewhere I can go. They might even say, I don't know, I don't have the answer to that, but I will find somebody who does. That's the good thing. It makes chief executive not such a lonely job. (Chief Executive, BP)*

The board director A resonated with the chief executive that the board did not always 'uphold' everything: 'people [board directors] have strong views'. She recalled an instance of

herself that she once raised a strong point at the board meeting when the executive team proposed to purchase a social care organisation in the neighbouring council. She was not convinced that this acquisition would bring BP more business service demands, and she even doubt whether BP could afford the acquisition. The board then split, since several other directors strongly support the acquisition. 'So, we had a long discussion about that. And in the end, I was comfortable with what I heard… With that basis, I was happy to support what we were doing…that purchase... It is a serious money-making organisation for us.'

Response: Strengthening monitoring over business performance

In addition to introducing the business board directors to the organisation, it was noticed that BP had been strengthening the monitoring on the business performance of its subsidiary companies. The chief executive underlined several times in the interview that BP was the same as 'any private companies'. He informed that all the managers in BP had a private-sector background rather than a third-sector background: 'They [the managers] understand that we are here to create jobs. They understand that but that's not their remit. They are paid to run a business. They are paid to manage a business, paid to supervise a business…We don't pay them to think about social enterprise.'

BP implemented a particular mechanism to assess managers' business performance. The manager of cleaning services introduced the monthly 'business issue meeting' in BP. The accounts of subsidiary companies were assessed each month. One manager had to present a report regarding the monthly accounts in front of the chief executive, the operations manager and all other subsidiary managers. Then the meeting discussion would be around 'What's been happening? What's changing? Having you got new business? Did we make a profit? Did we not make a profit and why did we not make a profit?' Once the chief executive and the operations manager collect the information of business performance for the month, they then submitted it to the board monthly. The chief executive added that the managers also had annual appraisals, which was also based on their ability to run a business: '…[the managers] are only focused and judged on the commercial success of the business.'

Summary

BP recognised the challenge to the business service side due to the business incompetence of community board directors. The findings demonstrated that the chief executive utilised his network in the private sector and invited business professionals to serve BP's board. In

addition to restructuring the board, the findings revealed that BP continued exploring improvement in its governance. The managers with private sector backgrounds implemented more measures to strengthen business performance, which enhanced the internal structures to suit business services.

7.5 RESPONSE TO CHALLENGING CONDITIONS: SECURITY & PUB

7.5.1 Overview

Interviewees expatiated on four challenging conditions that SP had experience and tackled. Four challenges ranged from the lack of resources to initiate training, competition with private companies, difficulty to gain capital investment and lack of internal structures for business services. The following sections will present these challenges and SP's responses to them in details.

7.5.2 Challenge in public service delivery

No.	Challenging condition	Response
1	SP did not have adequate financial resources to initiate the training services and later encountered a sudden change in the collaboration with referral agency.	• Collaborating with the referral agency to deliver training services; • Complying with the referral agency to retain training service contracts

SP's original plan for the security training programme was to cover all the training cost with the profit generated through the security guard company. The chief executive then realised that the profit was just enough to help a limited number of unemployed young people to gain working skills. Nevertheless, he intended to provide training services to a group as large as possible: 'What happens is that we won't be able to help as many people as we can because we are out there to help people. Because we subsidise the cost of that training through the profits.' Meanwhile, the chief executive felt against applying for funding grants, since he insisted that SP was a SE doing business 'first and foremost' and 'not a charity'.

Response: Collaborating with the referral agency to deliver training services

The chief executive identified the Prince's Trust, a charity that had a long history in helping the youth with various issues. The security manager said that the chief executive designed the security guard training programme and approached the Prince's Trust to seek financial assistance. SP then became the Prince's Trust's official partner and delivered the training on

its behalf: 'So, the Prince's Trust just popped into and raised it [the security training programme] up. So, we are a family-ship' (Chief Executive, SP). The board director A and the board director B stated more explicitly that SP and the Prince's Trust collaborated on a contract basis. The collaboration commenced as both parties benefitted from the programme socially and financially:

> *It's a win for us because we are making some money from that [the security-training contract]. We are making use of our SE, and the Prince's Trust is achieving their social mission. And they are not having to divert resource to that problem [of delivering the training]. (Board Director B, SP).*

The Prince's Trust was responsible to circulate the information of security guard training programme through various referral channels. Training applicants would be invited to the Selection Day for SP to choose 'the most suitable [trainees] that we think we are able to take on and we can take on to the course to complete it.' (Security Manager, SP). The security manager explained that the selection process could eliminate applicants who were too nervous or anxious to be a security guard. Successful applicants would take a five-week in-class training provided by SP. SP arranged potential employers to meet with trainees at different training stage in order to refer trainees to various security companies when the training completed: 'So they [security companies] see how they [trainees] progress from week 1 to week 3 to week 5… It's like 5 weeks on the interview with them.' (Security Manager, SP). In the interview, the chief executive mentioned that the employability rate of the security guard training programme was 93%.

Response: Complying with the referral agency to retain training service contracts

In 2016, the collaboration between SP and the Prince's Trust changed. Since the Prince's Trust received funding grants from different sources, it had to account for its funders and enforce the tendering process upon its service contractors. The security manager said that SP used to be an exclusive contractor whilst it now needed to compete for the contract with other training providers on an annual basis. The security manager did not show much surprise when he stated this change in the interview. SP intended to continue the training programme for the Prince's Trust and therefore decided to comply with the new situation. At the end of the interview, the security manager informed that he would submit the tender in the next week. As far as he knew, three other security companies were competing for the contract.

The board director A made some noticeable comments on SP's training services. He spoke frankly that SP should assess the financial performance of the security guard training programme. He implied that when the contract for training services did not benefit SP financially, SP would consider abandoning the training services.

> *So, should the company focus on security or training? At the moment, we are doing both. But you can see it in the future with the company going bigger. Yes, it could be an issue… We can keep going with both, but they have to be reported. We have to have good information to see how well are they doing? How well the catering, the training side was doing last year? You are measuring the costs particularly. (Board Director A, SP)*

Summary

SP recognised the lack of financial resources as the challenge that hindered the organisation from delivering expected results through the training programme. The findings suggested that SP identified and seized financial resources by changing its original training plan and becoming a service contractor. The findings also revealed that SP's security manager used his professional knowledge in security training to fulfil the contract holders' requirements constantly. It seemed that SP took in the successful experience of getting financial benefits from the service contracts and relied on this strategy to keep the training services persisting.

7.5.3 Challenge in business patronage

No.	Challenging condition	Response
2	In the business service side, SP had to compete with private companies.	• Guaranteeing the high quality of business services; • Utilising the SE title to attract business customers

Being the only SE in the security industry in Scotland and the only SE restaurant bar in Castle City SP had to compete for business customers with private companies. The security manager said that SP did not have any price advantage over its competitors in contract bidding for security services. SP's contract price was higher than its competitors' offer, since it paid its staff the National Living Wage and included the expense of upskilling training into the contract cost.

> *So, when we go and put in for a contract, we have sometimes lost the contract. We haven't gained that tender for that contract because our wage is a bit higher, because we are looking after our staff and pay them a living wage. Whereas, other companies can cut their wages, which means they may put in a lower price in their contract… The only thing that slow down slightly as we said is your competing against other companies who can offer that low price because they are not filling that mission of social enterprise. (Security Manager, SP)*

The bar manager was also aware of the fact that SP's restaurant bar had higher overheads because it paid staff the National Living Wage and undertook training programmes. He did not agree that being a SE entitled SP to overcharge business customers but being and SE did result in a small profit margin: 'We face challenges that other hospitality companies don't…It's all about the profit margin you make…a hospitality company, in particular, is your wages. We don't pay them minimum wage. Every hospitality company pays minimum wage.'

Response: Guaranteeing the high quality of business services

Recognising the price disadvantage in business competition, the chief executive stated that SP had underlined its 'great' and 'unique' quality of security services as a way to attract business customers:

> *And the product [the security services] is very very different from other products in their [the business service users'] experience. It's not that we can do it cheap…It's all about looking after the staff, training, making sure everything chargeable is chargeable, paying a living wage, obeying Scottish Government pledge so we can be under the Scottish Government pledge for security and do our business. (Chief Executive, SP)*

The security manager agreed with the chief executive on the significance of service quality for SP's business patronage. He attempted to turn the disadvantage of having extra cost on staff salary and upskilling training into SP's strength in high service quality so as to attract business customers. He considered that keeping SP's security staff happy was an important factor in keeping high service quality, since they were people who directly delivered security services to business customers. If they were unhappy about the working conditions and thus refused to provide good security services to business customers, the whole security business could fail. In his opinion, a high wage rate was an incentive to ensure the security staff's service quality.

> *…the first sight comes to your business is always the staff…any future clients, they go to see staffs before they even get to the management side…If the staff don't do it because they don't want to or they've got worried because of the money and other things involved in their lives, then your business won't carry on. (Security manager, SP)*

The security manager further explained that offering free upskilling training to the current security staff equipped them with the necessary qualifications to fulfil the security services. Through the upskilling training, the staff would finally gain seven qualifications for the security profession, which made them 'the most qualified people [security staff] that you would find on the ground' (Chief executive, SP). The security manager indicated that the high

cost and overheads of SP's security services would be paid off by the high-quality security services, which was the advantage SP needed to stress to business customers.

The bar manager resonated with the views on maintaining SP's high-quality services. He said he had reimagined what a restaurant bar SP should be. He discarded the ideas that SP should a restaurant bar that provided the best food or drinks in Castle City whilst he realised that the services and the atmosphere attracted business customers to re-patronise SP.

> *So, for me personally, as we are changing over, I sort of have a reimagining of actually what a bar and restaurant should be. You shouldn't turn on and openly say...we are not the best cocktail bar in Castle City...we don't do the best food in Castle City. What actually makes it a place people want to come back to is the people. The people work here, the people behind the bar, the services that people get, the atmosphere that people get. (Bar manager, SP)*

Therefore, the bar manager taught the staff how to use personality while serving customers. He asked the staff to abandon the traditional ways of reciting 'scripts' of products. Instead, he encouraged them to talk with customers using their knowledge and experience: '…they can form relationships with customers and have a bit of conversation, and a chat with people because that's what I thought should be. I think that's what hospitality is.' (Bar Manager, SP).

Response: Utilising the SE title to attract business customers

Alongside the service quality, SP found that the SE title could facilitate the organisation to gain access to public security contracts. The 32 councils in Scotland were required to offer public contracts to living wage employers after the public procurement reform since 2014. Additionally, the chief executive confirmed that the Community Benefits Clauses 'opened the window to social enterprises' in public procurement. The security company had won contracts from the Clackmannanshire Council, the North Ayrshire Council, the Edinburgh City Council, the Scottish Prison Service, Scotland's Rural College, and Community Safety Glasgow.

Additionally, the board director B informed of SP's plan to expand its business-to-business services through following the growing trend of corporate social responsibility (CSR) within the private sector: 'A lot of companies are looking to do things, supporting [CSR].' (Board Director B, SP). At one board meeting, the board directors and the chief executive discussed utilising the opportunity of CSR to work with large corporates. The chief executive learnt an upcoming project between the Castle City Council and a global information technology consulting group. He was told that 30% of the project contract would be delivered through small and medium enterprises and CSR programmes. The board and the chief executive

decided to prepare for the potential bidding with the joint development of security monitoring systems between SP and a local university.

Summary

SP recognised its competitive disadvantage in price through the competition with private companies. As demonstrated in the findings, the managers utilised their experiences in the industries to figure out that the service quality distinguished SP from its competitors. The security manager especially turned the high salary rate and the upskilling training cost into the incentive to encourage high performance from the security staff. The bar manager inspired staff to interact with business customers to understand and meet their service demands. In addition, the findings revealed that SP kept exploring ways to take advantage of its SE title, such as pushing its business in the public procurement and seeking collaborations in big corporates' CSR projects.

7.5.4 Challenge in financial management

No.	Challenging condition	Response
3	SP faced difficulties to gain capital investments due to the SE entity.	• Seeking alternative investment resources

The chief executive remarked in his interview that it was difficult for SE to obtain capital investment to scale up its business services because it sat in the 'middle of the world'. SP did not receive any funding grants, since the chief executive opposed to the charity route of applying for pure grants. Whereas, it was problematic for SP to apply for loans from commercial banks because the organisation was bound with the asset lock and the dissolution clause that the CIC entity stipulated. The board director B added that SP was not appealing to capital investors, since its profit margin was low and offered a limited monetary return on investment:

> Obviously selling the company is a bit harder because you tell the company [capital investor] you never make profit from it… The shares are almost meaningless. You [capital investors] have to have a share because that is a company. But they [shares] don't have much material value [in SP]…If you are looking to make capital gain by scaling a business, you probably won't take social enterprise in the first place. (Board Director B, SP)

Response: Seeking alternative investment resources

Facing the challenge to gain investment from commercial banks and capital investors, the chief executive approached several organisations that providing specialised financing services for SEs in Scotland. SP then applied for and received loan grants from the Social

Investment Scotland and Resilient Scotland. The board director B explained that the loan grants were invested in SP in the form of 50% funding and 50% loan: 'About 50% of that [investment] you don't pay back. The 50% of loan you then pay back probably at a reduced loan interest.' He commented that the loan funding had enabled SP to 'take a little bit more risk to scale the business.' At the board meeting, the board director A, the board director B and the chief executive discussed gaining the start-up funding for the joint development of security monitoring systems. The board director B commented that 'the best scenario' was obtaining a loan grant that was constituted 50% of the loan and 50% of the grant.

The board director C also confirmed that the expansion of bar restaurants and the launch of gin brand were mainly realised with the loan grants from the Resilient Scotland. He continued saying that SP had built a good relationship with Resilient Scotland, since the organisation demonstrated a strong business profile.

> *The chief executive has got a very good relationship with the Resilient Scotland. My sense is the Resilient Scotland has got a lot of proposals for business that are not very mainstream or not very sharping… I think with this one [SP], they were happy to see it's a high-profile place. There are quite senior individuals behind it [SP]. I think that meant we were a quite strong candidate from their prospective. (Board Director B, SP)*

According to the information published on the website of Resilient Scotland, three loan grant packages had been awarded to SP to employ additional staff to grow its security services, to take on the lease of a city centre bar and to launch the gin distillery business respectively (Resilient Scotland, accessed on 31 January 2017). The total amount of investment was £405,000, among which the amount of grant was £175,833 and the amount of loan was £229,167.

Summary

SP demonstrated the ability to identify information about special investment resources for SEs. Revealed from the findings, SP was capable to utilise the investments to strengthen its business profile, which enabled the organisation to claim credits from investing bodies in order to receive further financing support. It seemed that SP took in the information about successful experience in loan grant applications and developed it into a routine strategy to obtain capital investments.

7.5.5 Challenge in internal governance

No.	Challenging condition	Response
4	SP did not have any internal structures at the start-up and thus did not meet the investing body's financing requirements.	• Inviting business professionals to form the board; • Developing internal management

The board director B informed that SP did not have a board when the organisation was established. When the chief executive approached Social Investment Scotland for loan grants, the financing body required SP to create a board so as to become eligible for capital investment. The board director A added that when SP was just established, the chief executive did all the roles: 'At the beginning, the chief executive was doing everything, even the accounts. He was absolutely doing everything, paying the bills, dealing with the bank… But the company grows bigger. Other people should do that…' He commented that the lack of human resources and governance structure was a challenge historically for small organisations like SP.

Response: Inviting business professionals to form the board

Noticing that SP did not have a board in place, Social Investment Scotland referred candidates for board directors to SP in the first place. The board director B said that Social Investment Scotland approached him and introduced SP to him. He was interested in helping a SE and thus decided to serve SP's board. The board director A said he was referred to SP through one common friend of the chief executive. The board director A and the board director B who served the security company had professional backgrounds in corporate accounting and commercial law respectively. The board director A was involved in SP's financial accounts, monitoring the cash flow and clarifying the financial efficiencies and deficiencies to the chief executive. The board director B helped with the legal side of SP, refining company documents and preparing the legal documents for loan applications. There seemed to be a consensus between these two board directors that they played an advisory role to improve SP's internal structure for business services.

> *The board director A was very much involved in looking at the accounts, helping to manage, like any business, social enterprise in cash account …I help more at the legal side and kind of looking at the company documents, make them a lot more user friendly... If there is a huge issue, we just rearrange. We [the board directors] met if we then decided to go for a bank loan or something bigger… So, I think the governance is good. The chief executive then asked me on a regular basis. We talk regularly… I'm just working with the chief executive to kind of maximise [business] opportunities. (Board Director B, SP)*

The board of the restaurant bar was also composed of professionals in the hospitality industry and the distillery industry. The board director C said that all the directors on the board of SP's restaurant bar were connected by the chief executive through his network in the private sector. Alongside the board director C, who was a practising lawyer in the distillery industry, there were a banker and a bar owner serving the board. The board director C echoed with the board directors A and B on the view of playing a business advisory role that supervised the overarching business and financial performance in SP rather than micromanaging the organisation at the operational level. He explicated that he focused on bringing business opportunities to the restaurant bar and assisting the chief executive whenever necessary: 'So my role is to help connect that [bar] business with the [beer] brand owners. I also give some insights into what to start to help the team work out what the right portfolio is.'

Response: Developing internal management

The chief executive later employed the security manager, a bookkeeper and the bar manager to facilitate the management within the organisation. With SP growing and expanding to different industries, the board directors A and B noticed that it became more and more difficult for the chief executive to attend to all the aspects of operation:

> *…for a small entrepreneurial business like this, the chief executive is very much the key man…It's always a challenge for a small company that is growing. What's the best use of his time? That's been a challenge historically and also going forward because he needs people. Certainly, as the company goes bigger, to have a structure in place would be essential. (Board director A)*

However, the board director B admitted that there was a dilemma for SP in terms of if it should hire more staff to manage the organisation or invest the resource in new businesses:

> *But that's the thing albeit especially when you have a small business like the chief executive, always have that challenge. If I could hire 5 more people, I could do x, y and z. But I need the money to do that. I get the money only if I get this contract. To get this contract, you need the 5 people. So, it's a chicken egg scenario. So, every company at start-up will have that challenge. That's not unique to social enterprises in any. (Board director B)*

The security manager remarked that he started to identify candidates for 'supervisors' among the security staff who had worked in SP for a while. He intended to fill in the gap between the management team and the frontline staff by adding this new layer of supervisor. This strategy was also to facilitate the flow of information within the organisation.

> *Because doing that, it's not such a big gap in between. You can still see the flow of information all the way through. They also see these decisions made actually come from the management and it's been passed down through. (Security Manager, SP)*

Likewise, the bar manager mentioned that he had recently taught the staff members how to manage a bar rather than working in a bar. He recognised the management skills as not only teaching the structure of restaurant bar but also changing the staff's mindset from obeying commands to taking control of everything.

> *I obviously visit the units [of hospitality services] every week. I sit down with the unit managers for discussing. Then we from January, again a sort of learning curve, I set all the coordinates. Coordinates mean we get everybody to sit down and have a chat. Managers stay in responsibility talking to their teams… From my perspective, I'm just saying what's happening in the past week, what's coming up, reminding them of things they need to do, finding different pieces of processes or work. We just introduced this for managers, which things they have to do every day, which I teach them the structure of [hospitality services]. (Bar Manager, SP)*

Summary

The lack of internal structures for governance hindered SP from applying for capital investment. Whereas, the organisation soon reacted to this information. The chief executive utilised his connections to the private sector and capital investors to locate suitable board directors and managers. It was clear in the findings that the managers continued to enhance SP's governance structure by cultivating a new management layer within the organisation, which enhanced the internal structures to suit business services.

7.6 CHAPTER SUMMARY

Sections 7.2 to 7.5 have detailed the 16 challenging conditions reported by the four case study organisations and the responding strategies undertaken to tackle these challenging conditions. In order to summarise and analyse these findings in preparation for the following discussion chapter, the key elements of the challenging conditions and responding strategies will be presented in the chapter summary.

7.6.1 Summary of SEs' Challenging Conditions

The analysis of findings has demonstrated a diverse range of challenging conditions occurred to the case study organisations (analysis tables of individual organisations are presented in appendix 7). Four categories have emerged among the reported challenges:

- challenges in public service delivery;
- challenges in business patronage;

- challenges in financial management; and
- challenges in internal governance.

Within the category of challenges in public service delivery, AH and BG reported difficulties to continue the delivery of training services due to public service users' mental health and social issues. BG, BP and SP confronted challenges for public service delivery due to the disturbances from their referral agencies. These findings initially demonstrated the different sources of similar challenges. Additionally, it was evidential that SEs faced multiple stakeholders in their delivery of public services. The conflicts between these stakeholders' interests and SEs' objectives accounted for the challenging conditions in SE's public service delivery.

In the category of challenges in business patronage, the challenges for AH and BG centred on attracting more individual business customers whilst BP and SP were confronted by competition with private companies. This seemed related to case study SEs' business focus. AH and BG emphasised the niche business services that no other organisations provided and insisted on operating the business services in the local areas where their public services are embedded. BP and SP chose to compete for business services with other private organisations in the open markets.

In the category of challenges in financial management, AH and BG had confronted financial difficulties in terms of cash flow crisis and financial deficits while SP reported problems of gaining capital investment. This seemed to further echo with the differences among case study SEs' business focus. AH and BG attempted to generate moderate incomes from niche businesses that did not compromise the delivery of training services. However, when the niche businesses lacked customers, the two SEs faced financial challenges to continue the operation. SP focused on expanding the business scale to gain a competitive advantage against its competitors from the private sector. Nevertheless, SP's social objectives did not align with capital investors from commercial institutions, who aimed to maximise profit merely. Besides, available social investors attempted to change SP's behaviour according to their perception of proper governance. Without necessary capital investment, SP had difficulties to scale up its competitive advantage, which consequentially affected its business income. Interestingly, BP did not report any challenges regarding financial management. It was speculated that being the oldest among the four case study organisations, BP had

accumulated sufficient financial slacks over the year to absorb potential challenging conditions in its financial management.

In the category of challenges in governance, all four case study organisations had experienced the issue of unsuitable internal structures for business service delivery or business development. It was interesting to notice that the case study SEs perceived these challenges differently. AH and BG were worried that corporate governance insensitive to public service users' limited abilities might compromise the SEs' social missions. Hence these two SEs struggled with the extent to which they could implement internal structures suitable for business services. BP and SP, in contrast, struggled with recruiting more board directors and managers with private sector background to embrace corporate governance for business development.

These findings gave rise to three initial themes in SEs' challenging conditions. Firstly, multiple stakeholders within and outside SEs cause challenges for SEs. The findings showed that the case study SEs attempted to coordinate stakeholders' demands with SEs' social and business missions. The conflicts between stakeholders' interests and SEs' objectives led to various challenging conditions for the latter. In addition, conflicts among stakeholders internal to the SEs were a source of challenges. Secondly, the case study SEs bore a 'hidden cost' for hybridising social and business missions. The hidden cost included opportunity cost and competitive disadvantage. AH and BG had public service users as their major workforce instead of fully trained employees. This forced the organisations to spend resources in fostering public service users' employability skills rather than concentrating entire resources on generating business income. Besides, the deep embeddedness of AH and BG in the communities compromised their intention to seek viable business opportunities outside their locales. BP and SP invested profits from the business services in the training programmes, which undermined their profit margins and disadvantaged the organisations in the competition with private companies. The two SEs thus were suffered from a competitive disadvantage. Thirdly, a mixed source of conflicts and hidden cost were identified in the challenges in BG's internal governance, business patronage and financial management in both AH and BG.

7.6.2 Summary of SEs' Responding Strategies

The strategies adopted by the case study organisations under challenging conditions are pivotal to understanding how SEs tackle challenges and what consequences these strategies lead to. The analysis of SEs' responding strategies will then guide the discussion in the next chapter on whether SE can achieve resilience under challenging conditions and what factors facilitate or hinder SE's achievement resilience. Tables 7.1 to 7.4 present the key elements in the case study SEs' responding.

Overall, the findings have demonstrated that the four case study SEs paid great attention to enhance individuals' competencies within the organisations. Specific approaches, such as new recruitment, identification and cultivation of employees' abilities were adopted to introduce expertise into the organisations to develop responding strategies. These findings indicated a strong intention among the case study SEs to tackle challenges.

In further details, however, the responding strategies seemed to diverge between rigidity and flexible adaption. One unique case was AH's response to the challenge in internal governance. The chief executive and the board director A rejected the new information provided by the paid staff members about a hierarchical structure that could be more suitable for the business services delivery. Instead, they counted on the prior knowledge that the existing 'inclusiveness' could protect public service users and community volunteers and insisted on retaining the inclusive structure. Without employing any resources, the chief executive and the board director used their authority to dismiss the 'rebellions' among the paid staff members. This formalisation of normal routines led to a rigid response in response to the challenging condition. Besides, in two particular cases of challenges in financial management, AH and BG were found counting on old knowledge without updating new information about challenges. Although they had adopted pre-designed plans, there was no evidence of adaption in the two SEs to the changes in challenging conditions.

The findings have demonstrated that under the rest 13 challenging conditions, all the four case studies organisations were able to process certain new information related to challenging conditions, mobilise existing resources available to the organisation and leave the decision-making to people with necessary expertise and knowledge. These actions facilitated the case study organisations to adapt to challenging conditions. Therefore, the findings regarding SEs' responding strategies gave rise to three important themes, which

were strong intention to tackle challenges, conscious adaption and unconscious rigidity. These findings will be further examined against the literature of organisational resilience to assess if the case study SEs had achieved resilience from the challenging conditions.

In the next chapter, a cross-case analysis is conducted to embed the findings back to the extant literature and the research questions are to be addressed. The important themes and speculations that have emerged from the findings will be discussed in depth to explore the potential relationships between SEs' challenges, responding strategies to tackle challenges and consequences arising from responding strategies. Now attention turns to the discussion of the findings that have been presented in chapters six and seven.

Table 7.1: Key elements of responding strategies in Arts House				
Challenging condition	**Response formation**			**Strategy**
	Information processing:	**Resource utilising:**	**Decision making:**	
1. Challenge in public service delivery Disturbance from public service users	Broadening information about public service users' demands through interactions	Chief executive's personal capability	With public service users By expert: chief executive	Improving service quality
2. Challenge in business patronage Difficulties to attract business customers	Broadening information about the community's demands through interactions *Restricting information unfavourable to public service users*	Community volunteers, AH's investing financial slack in business services	With business customers By expert: community volunteers	Diversifying service items and ignoring service quality
3. Challenge in financial management Cash flow crisis	Refusing extensive information about radical business models	Community volunteers	By expert: community volunteers	Repeated use of contingent sales
4. Challenge in internal governance Internal structures unsuitable for business service delivery	Counting on prior knowledge about protecting public service users and volunteers *Restricting information unfavourable to public service users*	Ignoring staff's knowledge	By chief executive, board director	Retaining status quo

Table 7.2: Key elements of responding strategies in Bistro Gallery				
Challenging condition	**Response formation**			**Strategy**
	Information processing:	**Resource utilising:**	**Decision making:**	
1. Challenge in public service delivery Misunderstanding with referral agency	Broadening information about demands for employability in the community through experts	Training coordinator's personal capability	By expert: training coordinator	Building long-term relationship
2. Challenge in public service delivery Disturbance from public service users	Broadening information about public service users' demands through interactions	Trainers' personal capability	With public service users By expert: trainers	Improving public service quality
3. Challenge in business patronage Difficulties to attract business customers	Broadening information about free promotion channels through networking *Restricting information unfavourable to public service users*	Staff's personal capability	By expert: staff	Diversifying service items and ignoring service quality
4. Challenge in financial management Financial deficit	Being contented with status quo	Chief executive's personal capability	By expert: chief executive	Repeatedly chasing funding grants
5. Challenge in internal governance Financial system unsuitable for business service delivery	Broadening information about financial system merely *Staff counting on prior knowledge about business governance*	Financial persons' personal capability, BG's investing financial slack in experts	By expert: bookkeeper, financial officer	Limited improve in the financial system

Table 7.3: Key elements of responding strategies in Business Park				
Challenging condition	**Response formation**			**Strategy**
	Information processing:	**Resource utilising:**	**Decision making:**	
1. Challenge in public service delivery Disturbance from referral agency	Broadening information about demands in the labour market through networking and information about new training approach through experts	Training manager's capability, BP's investing financial slack in training services and experts	By experts: manager of training services	Seeking new opportunities
2. Challenge in business patronage Competition with private companies	Broadening information about business customers' demands through interaction	Managers' personal capability, SE title	By experts and with business customers	Improving service quality
3. Challenge in internal governance Incompetent board for business services	Updating information about good governance for business through experts	Chief executive's and board directors' personal capability, BP's investing financial slack in experts	By experts: chief executive, board directors	Embracing corporate governance

Table 7.4: Key elements of responding strategies in Security & Pub				
Challenging condition	**Response formation**			**Strategy**
	Information processing:	**Resource utilising:**	**Decision making:**	
1. Challenge in public service delivery Disturbance from referral agency	Broadening information about training service contract through experts	Chief executive and security manager's personal capability, SP's investing financial slack in training services	By expert: chief executive, security manager	Satisfying referral agency's requirements
2. Challenge in business patronage Competition with private companies	Broadening information about business customers' demands through interaction	Managers' personal capability; SE title	With business customers By expert: managers	Improving business service quality
3. Challenge in financial management Difficulties to gain capital investments	Finding no more new information available	Chief executive's personal capability	By expert: chief executive, the board	Satisfying loan grant funding bodies' requirements
4. Challenge in internal governance Incompetent governance for business services	Broadening information about governance for running the business through experts	Chief executive and board directors' personal capability, SP's investing financial slack in experts	By expert: chief executive, board directors	Embracing corporate governance

CHAPTER 8

DISCUSSION

8.1 INTRODUCTION

This thesis aims to build our understanding of SEs' strategies to tackle challenges and the consequences of these strategies. An inductive study has been conducted within four SEs that provide employability training services in Scotland. A qualitative case study methodology has drawn findings from 30 interviews with chief executives, board directors, staff members and current and former service users, together with observations of board meetings and daily operations, and documents analysis. This chapter undertakes an integrative analysis of the research findings, by interpreting the findings concerning the literature from the SE and resilience fields, which has been outlined in Chapters Two and Three.

Miles et al. (1978:547) have recognised the difficulty of examining organisations' responses to environmental changes, since responses are highly complex and 'encompassing myriad decisions and behaviours at several organisation levels'. On the basis of the strategic-choice perspective, the authors suggested deciphering organisational behaviour by examining two determinant elements: environmental conditions, i.e. the problems that an organisation needs to solve and the choices of the organisation's structure and process, i.e. the ways that an organisation solves problems (Miles et al., 1978). A seminal framework was proposed by the authors to categorise patterns of organisations' behaviour in adjusting to their environments. The research has borrowed the key ideas of this seminal framework and situated them in the contemporary SE setting, to understand how SEs respond to challenging conditions.

The analysis was therefore divided into three layers (see Figure 8.1). The first layer explored the nature of challenges that were reported by the case study organisations. The purpose is to understand what caused the challenges and how the challenges affected SEs' organisational activities and managerial practices. The second layer explored the strategies that were adopted by the case study organisations to tackle the challenges. The purpose is to understand what capabilities and strategies SEs developed under challenging conditions and the convergence and divergence within the strategies. The third layer of analysis was twofold. It first assessed the consequences of SEs' strategies against the concept of

organisational resilience, to examine if the SEs became resilient from the challenges and what other types of consequence there were. It then integrated the first two layers of analysis and the types of consequence, to explore the latent patterns between challenges, SEs' strategies and types of consequence.

These three layers of analysis have corresponded to the three research sub-questions. The integration of the multiple-layer analysis has generated a framework of SE's resilience contingency, which addresses the overarching research question. This chapter thereby paves the way for presenting the contribution of this thesis in the concluding chapter.

	SQ1	SQ2	SQ3
Research sub-question	*How do challenges arise in SEs involved in public services delivery?* Discussion section: 8.2 ➡	*What capabilities and strategies do SEs develop to tackle challenges?* Discussion section: 8.3 ➡	*What consequences arise from SEs' strategies to tackle challenges?* Discussion section: 8.4 ⬇
Conceptual development	A framework of SE's resilience contingency ⬇		
Overarching research question	Can SEs involved in public services delivery achieve resilience from challenges and in which contingencies? Discussion section: 8.5 and 8.6		

Figure 8.1: The multiple layers of analysis in the discussion chapter

8.2 ANALYSIS OF SOCIAL ENTERPRISES' CHALLENGING CONDITIONS

Prior to analysing the strategies SEs adopted to tackle challenging conditions and examining whether these strategies led SEs to resilience, it is important to understand which challenges occurred, what caused the challenges and how the challenges affected the case study organisations. The findings revealed that all four case study organisations experienced challenging conditions. The 16 challenging conditions reported and tackled by the case study organisations were teased out into four categories: public service delivery, business patronage, financial management and internal governance. None of the case study organisations had experienced disastrous events, such as natural disasters or economic recessions that would bring shocks to the organisations. Instead, the dominant challenging conditions were referred to as uncertainties, deviations and interruptions that caused moderate undesirable operational or financial impact on the organisations (Bhamra et. al, 2011; Ponomarov & Holcomb, 2009; Rudolph & Repenning, 2002; Vogus & Sutcliffe, 2007). These findings demonstrated the borderless nature of challenging conditions (Smith & Fischbacher, 2009) and reminded us that the identification of a challenging condition within SE was not solely determined by the scale of the incident, but also by its impact on the organisation. Significant and small incidents should not be automatically regarded or disregarded as challenging conditions.

Among the challenges reported by the four case study SEs, three themes and one theoretical dimension emerged from these findings (see Table 8.1). These themes are discussed in detail below.

Table 8.1: First layer of analysis: sources of SEs' challenges

Axial Codes	**Second-order Themes**	**Theoretical Dimension**
• Conflicts among stakeholders • Conflicts between stakeholders and SE	Conflicts related to SE's multiple stakeholders lead to challenging conditions	Degrees of complexity in SE's challenges
• Competitive disadvantage • Opportunity cost	SE's 'hidden cost' leads to challenging conditions	
• Business services not complying with customers' expectations • Internal structures unsuitable for business service delivery	Challenging conditions arise from the mix of conflicts and hidden cost	

8.2.1 Conflicts related to multiple stakeholders

The findings showed that all the case study SEs faced multiple stakeholders in their everyday operations. These stakeholders included important resource holders outside the SEs and individuals working or assisting with operations within the organisations. The findings demonstrated that relationships between the SEs and their stakeholders, and also amongst multiple stakeholders, had undergone jolts, which led to various challenges for SEs.

Conflicts among stakeholders

AH and BG were the only two case study organisations that provided on-the-job training for public service users. Instead of having in-class sessions, public service users built up their social and employability skills through working in the SEs' business services. AH was committed to accepting whomever needed support, regardless of how severe their problems were. Likewise, BG's training coordinator mentioned that she tended to recruit trainees with serious disadvantages and in need of support, to demonstrate BG's social commitment. The low threshold to accept public service users complicated service demands, since the SEs had to face public service users with diverse social and learning abilities. As mentioned by the two SEs, their training services aimed to remedy public service users' deficiencies in employability, which were caused by a wide range of mental and social problems. These problems forced the organisations to keep an eye on each service user's particular demands during the delivery of training services. One of PSOs' challenges to deliver public services was the different perceptions of satisfactory service among different groups of stakeholders (Osborne, 2018). However, the findings in this research highlighted that, even within the same group of stakeholders, such as public service users, the expectation for service differed from one to another. It was not because they had various perceptions of 'good service', but public service users' abilities to accept services were different and thus, the demands of service they raised out of their particular needs clashed. This challenged the SEs to consider how to meet these diverse demands within the same service. Also, the findings showed that public service users' special conditions, especially mental health conditions, intensified the challenge for AH and BG to respond instantly to new demands in the process of public service delivery (Osborne & Strokosch 2013). These conditions were commented on as 'unpredictable' by the case study organisations, which implied the challenge for the SEs to prepare for new demands during the service delivery. The findings also demonstrated public service users' limited ability and willingness to express their service demands. This challenged AH and BG to make additional effort to spot potential service demands, on the top of

essential interactions with public service users, which assisted in forming a response to service demands (Osborne et al., 2014). This research has demonstrated that SEs confront the common challenges for PSOs to deliver public services, including meeting diverse demands of public service and responding to new service demands in the middle of delivery. Nonetheless, the findings have identified two factors that intensify the challenges in public service delivery: service users' clashing demands and limited ability to interact with PSOs.

Conflicts between multiple stakeholders were further demonstrated in AH, regarding establishing an appropriate governance structure. The interviewees from AH highlighted a dilemma of choosing between internal governance benefiting public service users or business service delivery. The paid staff members in AH appealed for a hierarchical structure that could clarify their roles and public service users' responsibilities in the business service delivery, and overall organisational operations. Nonetheless, the chief executive and the board director insisted on an inclusive structure, that could engage public service users in the business service delivery to foster their employability skills, without adding pressures of responsibility on them. Obviously, the two sides held their own perception of AH's objectives and the approach that AH should follow to accomplish them. The argument over the two opposite internal structures then resulted in an interpersonal conflict between the paid staff members and the old team of the chief executive, board directors and public service users, which put the organisation's operation at stake.

A similar dilemma was found in the tension between BP's management team and the community board directors. It was interesting to note that BP had introduced community directors to the board, initially for the purpose of avoiding the potential drift of SE toward the business side. It was a strategy to balance the dual missions, but this inevitably complicated BP's accountability processes and hindered the decision-making, as the organisation had to attend to multiple stakeholders' interests (Lumpkin et al., 2013). The chief executive's plans to develop BP's business side were often questioned by the board directors from the community, who focused on assessing the community benefit. Moreover, the community board directors' limited business knowledge failed to meet the executive team's demands for the business, as BP's businesses scaled up. This made the chief executive feel frustrated and unsupported in his position. As the chief executive admitted, these internal conflicts created tension between the management and the board, and placed the organisation under risk of not having particularly good governance for business development.

The findings from the case study organisations demonstrated that the grievance about internal governance finally resulted in the conflicts between stakeholders who held different opinions about the paths of governance development in SEs. These conflicts caused negative implications on the SEs' operation, including turbulence within the organisation and delay in strategic decisions, both of which hindered the SEs to achieve social and business missions. This empirical data of the challenge has thus supplemented the explanation for Scott and Teasdale's (2012) argument that administrative and organisational structures failing to meet SE's demands to fulfil the dual missions can eventually lead to the failure of the whole organisation. Notably, the conflicts among stakeholders over the internal governance did not appear at the beginning of SEs' establishment; the conflict occurred as AH and BP grew. Spear et al. (2009) have reminded us that a significant challenge in internal governance for organisations transforming into SEs is to reconcile existing stakeholders, who hold up the value inherited from the original organisation and new stakeholders, who join to develop the paths for SE. The findings have suggested that this alert is still applicable to SEs in the middle of growth. It is a common dilemma for SEs to choose between growing in depth in their social missions and growing in scale in their business missions in their life cycle (Hynes, 2009; Vickers & Lyon, 2014). Nonetheless, the growth in either side requires SEs to reconsider the allocation of resources in the social and business objectives, which arouse stakeholders to express and impose their perceptions of what and how SEs should do (Moizer & Tracey, 2010). The original internal structures in the case study organisations became obviously insufficient to accommodate stakeholders' rising propositions for SEs' paths of development and tensions and conflicts occurred. This research thus argues that growth introduces or intensifies the conflicting perceptions of SEs' objectives amongst multiple stakeholders. This also confirms the changing nature of challenging conditions in the SE context (Smith & Fischbacher, 2009), that different challenges emerge and evolve with the organisations' growth process in SEs.

Along with conflicts between multiple stakeholders, conflicts between SEs and multiple stakeholders have also been found in the challenges and this is where the attention now turns.

Conflicts relating to multiple stakeholders

Conflicts between SEs and multiple stakeholders were widely found in the challenges confronted by the case study organisations. SP's challenge in financial management was one

of these. SP failed to apply for loans from commercial banks, since the asset-lock attached to the CIC entity prevented the organisation from using its asset as collateral. The organisation also failed to convince private investors, since the cap on profit distribution attached to the CIC entity constrained the benefit that investors could have in return. Meanwhile, SP's chief executive refused to apply for funding grants, which was the dominant funding approach for SEs in Scotland under the Scottish Government's policy support (Hazenberg, Bajwa-Patel, Roy, Mazzei & Baglioni, 2016). He strongly insisted that SP was an enterprise, rather than a charity and the organisation should therefore not pursue a charitable route for funding grants.

From SP's perspective, the SE's particular objectives to have a blended return on investment, i.e. reinvesting part of the profit into the social mission, clashed with commercial banks' intention to have both capital and interest repaid, while the government's support ran counter to SP's identity of an enterprise. These findings showed that neither general commercial institutes nor the government met the SE's request for capital investment. These findings contrasted the existing literature, arguing that commercial institutes and the government's support complement each other to fulfil SEs' demands for capital resources (Hynes, 2009). In addition, however, the findings suggested two deeper issues. First, the denial of capital investment illustrated the conflict between SE's pursue of blended impact and commercial institutions' sole emphasis on financial return. This further suggested a constant absence of impact measurement that would allow SEs to convey the blended impact to commercial institutions (Bull, 2007; Flockhart, 2005; Nicholls, 2009; Paton, 2003). Apparently, there was no common ground between SP and the commercial banks, since both parties understood the return on investment differently. Second, the government's funding grants were insensitive to the business nature of SE. It was evidenced here that the overall policy environment in Scotland tended to force SEs to be more grant-dependent, but community focused (Hazenberg et al., 2016). Funding grants are in line with the Scottish Government's consistent financial support to the third-sector organisations, but this approach neglects SEs' objectives to be financially viable through business activities (Powell & Osborne, 2015), rather than funding income. These two issues push SEs into conflict with both sides of potential capital investors, leading to their challenge in financial management.

When SP later found a suitable capital investor, the investment was followed by the investor's requirement for the SE to build proper internal structures. This clashed with SP's plan to spend the money 'more wisely' on business projects, rather than on building up

human resources or internal governance at its start-up stage. Nonetheless, the resource holder insisted on changing SP's behaviour by constraining the investment (Pfeffer & Salancik, 2003). As Spear et al. (2009) explained, SP's case was a typical example of new SEs that were more interested in the successful implementation of their social missions and business ideas than considering the broader issues of governance. However, this explanation was too simple to account for the challenge that SP felt. The findings suggested a discrepancy in the perception of new SEs' priorities between the capital investor and SP. Because of the absence of impact measurement, SP, seeing itself as an enterprise, faced a market that punished SEs anyway for poor financial performance, regardless of achieving their set social missions or not (Austin et al., 2006). The priority for new SEs was to take the business ideas off the ground. However, this did not comply with stakeholders' demands of proper governance. This thesis thus argues that new SEs who are not interested in the broader issues of governance is because of their priority to survive the market that plays up economic value. However, this priority may conflict with stakeholders' demands and lead to the challenge for SEs' organisational activity.

Three case study organisations, BG, BP and SP collaborated with referral agencies in their delivery of public services. These SEs all started working with the referral agencies to gain necessary resources for training services, which included public service contracts for BP and SP and the recruitment of public service users for BG. However, all three organisations reported experiencing challenges in their collaboration with the referral agencies. The findings showed the referral agencies planned to achieve their own objectives through working with the SEs. BG's referral agency attempted to utilise the SE to sign off the registered unemployed people to training programmes, while BP's referral agency demanded BP's training materials. As a result, BG's training outcome rate was weakened and BP was disqualified from delivering the social care training programme. What the referral agencies did substantially jeopardised the SEs' delivery of public services. The conflicts between referral agencies' tactical interests and SEs' objectives thus became obvious (Teasdale, 2010b). Unlike BG and BP, SP's delivery of public services was not undermined by its referral agency. However, due to the change in the referral agency's outsourcing policy, SP was forced to be turned from an exclusive contractor into a contract bidder to compete for the training service contract in the open market every year. This brought about the risk of interruption in training service delivery, while adding the uncertainty of the financial viability of the training service contract.

The findings revealed that the referral agencies supplied the three case study SEs with financial and non-monetary resources that were indispensable for the public services delivery. This illustrated that stakeholders' role as important resource providers could affect SEs' delivery of public services and consequentially, the achievement of their social missions (Bridgstock et al., 2010; Freeman, 2010; Nicholls, 2010a). More importantly, the challenges for SEs to deliver public services and to organise hybridity nonetheless converged under this circumstance, where resource providers' tactical interests conflicted with SEs' objectives. As discussed in Chapter Two, SEs' challenges in hybrid organising and public services delivery share a commonality, as they are both related to and affected by multiple stakeholders. However, the literature suggests that stakeholders lead to challenges in hybrid organising because their demands of SEs' social and business objectives conflict with SEs' own objectives (Doherty et al., 2014). In SEs' challenges in public service delivery, on the other hand, stakeholders' demand for high-quality services aligns with SEs' aims to be sustainable PSOs (Powell et al. 2019). The findings in this research, however, have identified a new challenge in SEs' delivery of public service, arising from stakeholders' demands that ran against SEs' aims to be sustainable PSOs. This thesis argues that, since public services account for the whole or a part of SEs' social mission, the conflicts between SEs and stakeholders', leading to challenges in hybrid organising inevitably affect SEs' achievement of social mission and consequentially the delivery of public services.

This section has discussed the first source of challenges, which are conflicts related to multiple stakeholders. The findings have demonstrated that multiple stakeholders' diverse demands of SEs cause challenges, since their demands conflict with SEs' objectives and purpose of public services delivery. Conflicts among multiple stakeholders have also been identified in the findings, which cause turbulence to SEs' operation and intensify the existing challenges. This accounts for a new source of SEs' challenges, that extant literature has not deeply explored. Additionally, it has been found in this research that challenges change and evolve along with SEs' life cycle.

Now, attention turns to the second source of challenges emerging from the findings, SE's hidden cost.

8.2.2 SE's Hidden Cost

All four case study organisations mentioned that being SEs added costs to the organisations' operations. The findings showed that these costs occurred in the forms of both substantial financial burdens and latent obstacles to achieving the SEs' objectives. A strong theme, 'hidden cost' thus emerged inductively and caused a range of challenges to the case study SEs.

Competitive disadvantage

Among the four case study SEs, BP and SP incorporated various business skills to compete for business service contracts with organisations from the private sector. However, compared to their peer private-sector organisations, the two SEs explicitly mentioned that they had to allocate additional resources to provide the training services, which occupied resources to the business side and weakened the profit margin (Moizer & Tracey, 2010). More importantly, their commitment to social missions led to a higher contract price than the one private-sector competitors could offer. BP and SP thus lost business contracts in the biddings that valued a lower contract price. Although BP and SP demonstrated that SEs were capable of setting business-like goals and business-like service delivery (Dart, 2004a), their focus on both economic and social impact apparently disadvantaged them in an open-market competition that appreciated low contract prices and pure economic performance (Austin et al., 2006). Having both social and commercial objectives, SEs struggle with strategising and operations, since they need to generate revenue sufficient for supporting the business operations and the investment in social causes (Moizer & Tracey, 2010). The SE literature often explains that achieving a social mission requires SE to bear more cost, which undermines the organisation's strength to pursue a commercial objective and thus leads to tensions between the twinned missions (Bull, 2007; Russell & Scott, 2007; Moizer & Tracey, 2010). The findings in this research confirmed the additional cost of achieving the social mission, in a monetary sense. The findings have further demonstrated that the pursuit of the social mission causes damage to business activity, in the form of competitive disadvantage, which is rarely mentioned in the literature. This adds a new perspective to the current understanding of tension between SE's social and business missions and the challenge in hybrid organising. The additional cost of achieving the social mission makes SEs who compete for business in the open market less popular than their private-sector competitors. Therefore, a challenge to attract business patronage occurs in SEs, which compromises the commercial income for SEs to sustain the hybrid organising.

Opportunity cost

AH and BG embedded their businesses in specific communities, for the sake of their social missions that targeted training long-term unemployed people there. This facilitated AH and BG to address the social needs and deepen the social impact in the local community (Dacin, Dacin & Matear, 2010). Nevertheless, AH and BG clearly acknowledged the disadvantages of setting up businesses in one of the most deprived communities in Scotland, in a location far away from the town centre. To attract potential customers, AH organised a lot of free arts activities, while BG also held special events from time to time, to draw the community's attention. The two organisations admitted that these additional efforts cost the two SEs considerable resources and neither AH nor BG had considered operating in a location more suitable for their business side. The findings implied that both chief executives feared losing connection to local public service users once the organisations moved.

The two case study SEs' insistence on operating in the local communities compromised their intention to seek viable business opportunities outside their locales. Thus, the case study SEs' distinct concern over geographic location, which was linked to their achievement of social mission, not only increased expense in the business operation, but also reduced the opportunities for business growth. The study by Vickers and Lyon (2014) has found a trade-off within location-specific SEs: the deep social impact comes at the expense of ignoring opportunities to grow financially. While resonating with the literature, the findings of this research have further articulated that this trade-off encompasses the additional financial cost to maintain the business activity and more essentially, the *opportunity cost* to the business activity. Lohmann (2007) has asserted that the opportunity cost is barely alerted to organisations that attempt to integrate social missions with business missions, since SE is advised as normatively positive. The findings here, however, evidence that the opportunity cost of business missions happen to SEs due to the pursuit of social objectives and results in a challenge in financial management for SEs. The challenge in financial management profoundly jeopardises the survival of the whole organisation of SEs (Coburn & Rijsdijk, 2010).

This section has discussed the second source of challenges found in the case study organisations. The identification of SE's hidden cost, including competitive disadvantage and opportunity cost, has provided a new perspective to explore the challenges for SE to combine social and business missions and to maintain the hybrid organising (Battilana & Lee, 2014;

Bull, 2007; Dees & Anderson 2003; Doherty et al., 2014; Moizer & Tracey, 2010; Nyssens, 2006; Russell & Scott, 2007).

Furthermore, the findings also demonstrated that several challenges in the case study organisations arose from a mixed source of conflicts related to stakeholders and hidden cost. Now attention turns to look at the mixed cases.

8.2.3 A mixed source of conflicts and hidden cost

Among all the challenges mentioned by the case study organisations, three particular challenges could not be fully accounted for by either the conflicts related to multiple stakeholders or the hidden cost. These challenges were found arising from a mixed source of conflicts and hidden cost.

The first challenge was the one in BG's financial governance. Although BG received a five-year funding grant to start up the organisation, the cost of delivering training services occupied the majority of the grant, which left the SE with limited resources to employ skilled administrative staff on its own (Bridgstock et al., 2010). To ensure sufficient financial resources to deliver the training programme, BG, like many trading arms to voluntary organisations, shared human resources with its parent organisation, including the chief executive, the company secretary and the financial officer, in its developmental years (Chew, 2010). However, the financial officer's accounting knowledge was limited to charitable organisations, with no necessary competence to create a private-sector financial system that worked properly for commercial trading activities in BG. The findings demonstrated that the social and business sides in the SE demand the resources to achieve the objectives (Moizer & Tracey, 2010). While BG decided to allocate more resource to the social side, the SE's option to employ a competent financial officer was constrained, which echoed the previous discussion on opportunity cost.

Interestingly, some paid staff members in BG disagreed with the chief executive's plan to imitate private businesses and were reluctant to work with the new financial officer to improve the financial governance. As the findings further illustrated, these staff members associated the emphasis on business-like financial governance with the tendency to undermine BG's training services that they had prioritised. This resonated with the discussion on the conflicts within multiple stakeholders in the previous section. These findings further evidenced one source of the challenge came from the conflicting demands of SEs' social and

business objective from multiple stakeholders within the organisation, especially facing the reallocation of resource to the dual missions. Moreover, the two sources of the challenge in BG's financial governance occurred in time order, which additionally demonstrated the changing nature of challenging conditions in SEs (Smith & Fischbacher, 2009).

The challenges in business patronage reported by AH and BG were found to be caused by mixed factors too. Unlike BP and SP that competed for business patronage in the open market, AH and BG underlined that their business services targeted the gaps that were not filled by any other organisations in the local communities. It seemed that the two SEs deliberately chose niche markets to avoid competition with mainstream businesses, while aiming to create a stable set of customers (Phillips, 2006). Besides, the two SEs promoted publicly that their business services were provided by people who tried to fight their difficult conditions to become employable. This demonstrated the SEs' intention to attract more first-time business patronage by highlighting the 'new service experiences' (Abney, White, Shanahan & Locander, 2017). However, the two case study SEs still confronted the challenge of lacking business patronage.

In AH and BG, their social missions and business activities complemented each other (Alter, 2006). Public service users played a dual role in this model, accepting training services from the SEs while providing business services on behalf of the SEs. AH's chief executive confirmed that, on extreme occasions, public service users' mental health conditions could drive business customers away. Similarly, the front-of-house manager in BG complained that public service users sometimes failed to show up to their shifts, because of their unpredictable mental health conditions, which compromised the bistro's capacity to receive customers. Therefore, AH and BG recognised that they were different from private sector organisations on the business side, since they had to bear additional cost and pay more attention to enhancing public service users' working abilities, before they could work properly in the organisations. Purely commercial organisations save on this procedure and cost by employing well-trained staff in the first place (Leonard et al., 2007; Nyssens, 2006).

Although the findings indicated that AH and BG recognised public service users' limited ability to serve business customers, the two SEs blamed business customers for not empathising with public service users and suggested lowering their expectation for service quality. This, however, suggested that AH's and BG's intention to protect public service users conflicted

with business customers' expectation for high-quality business services. As Abney et al. (2017) have discussed, business customers do compare the new service experience in SE with their habitual service expectation. If the new service experience does not meet habitual expectation, business customers tend not to reuse the service. This explains how AH and BG struggled with business patronage, not only because the training services added cost and the SEs needed more footfall to generate sufficient income, but also because the poor quality of business services in the two SEs resulted in a 'leaky bucket' in re-patronage and discouraged customers from reusing the services.

This section has probed the three particular challenges that were not entirely brought on by either conflicts related to multiple stakeholders or the hidden cost. The discussion above has analysed in detail how the two sources blended in the case study organisations and gave rise to the challenges. Furthermore, the findings suggested that the challenges in business patronage for AH and BG contributed to the challenges in financial management in these two SEs. The lack of patronage significantly weakened their income sources from business activities. Therefore, this thesis considers that the challenges in financial management experienced by AH and BG were also caused by mixed sources.

8.2.4 Summary: Degrees of complexity of SE's challenges

The sections above aimed to address the first sub-research question: *How do challenges arise in SEs involved in public services delivery?*

The 16 challenging conditions reported by the case study organisations have been discussed. Three themes concerning the source of challenges emerged from the data, which were conflicts regarding multiple stakeholders, SE's hidden cost and the mixed source of conflicts and hidden cost. These themes suggest a diversity of complexity in SEs' challenges, which can be caused by a single source or mixed sources.

One significant finding in this first-layer analysis was the identification of SE's hidden cost, which consisted of competitive disadvantage and opportunity cost. This finding offers a new perspective to the current understanding of SE's challenges, which focuses on the *additional* burdens or difficulties arising from the commitment to social and business missions, i.e. hybrid organising. SE's hidden cost, nonetheless, argues that the adoption of dual missions and hybrid organising deprives SEs of certain opportunities or benefits that are enjoyed by organisations with a single mission.

In addition, this thesis confirms the changing nature of challenging conditions in the SE context (Smith & Fischbacher, 2009), that new challenges emerge and old ones evolve along with the growth of SE. The current literature has found that when organisations attempt to transform into SEs, new challenges occur, since old stakeholders may conflict with new stakeholders over the diverse demands of SEs' social and business objectives (Spear et al., 2009). Changes in challenges during SEs' growing process have barely been explored. Therefore, findings in this aspect have added novel knowledge to our understanding of SEs' challenges. Moreover, this also alerts the researcher to examine whether corresponding strategies evolved with the challenges.

Attention now turns to examine how SEs responded under challenging conditions and whether their responding strategies led to resilience.

8.3 ANALYSIS OF SOCIAL ENTERPRISES' STRATEGIES FOR CHALLENGING CONDITIONS

Turning now to the second layer of analysis, a key finding was that, under the most challenging conditions, the case study organisations were willing to develop strategies to adapt to challenges, which facilitated them to solve challenges and achieve resilience (Sutcliffe & Vogus, 2003). These strategies allowed the case study organisations to handle environmental feedback quickly, recombine and deploy existing resources flexibly and transfer expertise to problem-solving. The findings also indicated that on a number of occasions, the case study organisations tended to formalise routines and evade the difficult or controversial issues, which were composed of maladaptive processes to cope with challenges, rather than solving them (Staw et al., 1981).

Three themes and two theoretical dimensions have emerged from the analysis of SEs' strategies and processes (see table 8.2). These themes are discussed in detail below.

Table 8.2: Second layer of analysis: SEs' strategies and processes for challenging conditions		
Axial Codes	**Second-order Themes**	**Theoretical Dimension**
• Recruitment of new staff and volunteers • Exploration of individuals' capabilities within SEs	Consistent HRM approaches in SEs' strategies for challenges	SEs' strong intention to tackle challenges
• Adapting to enlarge the capacity to absorb further challenging conditions • Mismatching adaption with challenging conditions	Conscious adaption in SEs' strategies for challenges	Degrees of SEs' willingness to adapt
• Formalising routines • Replicating same strategies	Unconscious rigidity in SEs' strategies for challenges	

8.3.1 Consistent HRM in SEs' strategies for challenges

The findings illustrated that all four case study SEs had strong intentions to tackle challenges, which reflected on the consistent strategies to mobilise human resources across the organisations. Employees within the SEs were encouraged to provide important information about challenges, supply critical knowledge to tackle challenges and influence the organisations' decisions on corresponding strategies. These findings demonstrated that the case study SEs had clear intentions to enlarge the organisations' capacity to solve and prepare for challenging conditions, by enhancing employees' individual capabilities, from which the SEs' capabilities for resilience emerged (Lengnick-Hall et al., 2011).

Recruitment of new staff and volunteers

Interviewees from BG, BP and SP explicitly mentioned that these SEs were willing to invest financial resources in employees' competencies to tackle challenging conditions. When BG had the issue of an unsuitable financial system, a new bookkeeper and a new financial officer were recruited, one after the other. Noticeably, the bookkeeper and the financial officer confirmed that BG had been increasing their working hours to improve the financial system constantly. When BP needed to open a new training programme to redeem the training outcome rate, the organisation purposefully employed a training manager who had worked in the social care field for more than a decade. Likewise, the chief executive in BP underlined that all managers were recruited based on their experiences in the private sector. This complied with BP's intention to address the issue in internal structures and strengthen its competitiveness of business services against private companies. Despite SP's board director A admitting the dilemma of allocating SP's financial slack to business development or human

resources, the chief executive of SP hired a security manager with rich experience in security training and a bar manager who had worked in the hospitality industry for more than ten years. These recruitments assisted SP in settling the conflict with the referral agency and enhanced the organisation's ability to compete with private companies.

Indeed, not every SE has the financial slack to spend on human resources and most SEs actually have constrained financial resources to attract competent staff with market-rate salaries (Bridgstock et al., 2010). The chief executive of AH clearly remarked that the organisation did not have any financial resource to recruit full-time employees in the first five years after establishment. To compensate for the insufficiency of recruiting employees, AH was found counting on expertise from volunteers. Interestingly, AH was the only case study organisation that mobilised community volunteers under challenging conditions. The organisation built itself into a community-led organisation and consequently won over a group of volunteers from the local community to help with the organisations' operation. These findings suggested that AH utilised community contribution as an incentive, as well as job satisfaction, to attract volunteers with different expertise (Haugh, 2007; Membretti, 2007; Thompson, Alvy & Lees, 2000; Bacchiega & Borzaga 2001; 2003), which remedied its incapacity to recruit paid employees. The deep social impact enabled AH to mobilise the voluntary input and sympathetic support for its day-to-day operation (Vickers & Lyon, 2014) and, more importantly, strengthened AH's organisational capacity to deal with the challenging conditions in business patronage and financial management.

Exploration of individuals' capabilities within SEs

In addition to recruitment, the findings showed that the majority of case study organisations attempted to explore employees' distinct competencies, other than their original expertise and utilise them to solve different challenges. The training coordinator in BG was taken on board because of her ability to develop the training package as a qualified teacher. When the referral agency, the Jobcentre, caused a challenge for BG's training programme, BG recognised her previous working experience in the local council and entrusted her to solve the misunderstanding between BG and the Jobcentre. The training manager at BP was recruited for her expertise in social care training services, to initiate a new training programme. When the collaboration with the referral agency broke up, BP acknowledged her competence to manage the training services and entrusted her to modify the entire employability training programmes. The training manager not only restructured BP's training

side into an SQA centre but also took over the responsibility for bidding for training service contracts from the local authority. The security manager in SP was recruited to deliver the training classes. Then his capability in management was recognised by the chief executive and he thus became heavily involved in the security business and prepared for the contract bidding when the referral agency changed the collaboration conditions.

Apart from employees, the chief executives from all four case study organisations also possessed their own expertise and played diverse roles in solving the challenging conditions. AH's chief executive manifested good qualities in interacting with public service users. She was called the 'glue' for being able to pacify and empathise with public service users with social and mental health problems. The chief executive from BG was acknowledged as skilful at funding applications. Her expertise to identify and obtain funding grants helped the organisation to weather the repeated challenges in financial management. The chief executives from BP and SP were found to share common expertise in business governance. As the findings showed, the chief executives from BP and SP were acknowledged within the organisations as having rich experience in the private sector and good knowledge about doing business. BP's board of directors appreciated the chief executive's achievement in reconstructing the board by inviting people with business acumen to solve the challenge of corporate governance. Likewise, SP's board directors recognised the chief executive's ability to build internal structures from scratch. The governance was approved by the loan grant funding bodies and benefitted SP in obtaining multiple loan grants, to solve the challenge in financial management.

The findings indicated that the case study organisations not only recognised the essential knowledge that individuals within the organisations had, but also encouraged individuals to develop their distinct competencies to tackle various challenging conditions. Contrary to being limited to focusing merely on the challenges that their expertise fitted, these findings demonstrated that the SEs empowered employees and even chief executives to question the challenging situations, exchange information, offer alternative analytical perspectives and take over the responsibilities to tackle broader challenges, beyond job descriptions. The findings on flexibility demonstrated the case study SEs' efforts to improve organisational capacity for challenging conditions in two ways. Firstly, the findings indicated that the SEs allowed problems to flow towards expertise (Weick & Sutcliffe, 2007; Weick, Sutcliffe & Obstfeld, 2000). Exploring broad skills within the organisation enabled the organisations to

quickly process information about challenging conditions and transfer existing knowledge into solutions, which was positively associated with organisational resilience (Meyer, 1982). Secondly, the findings suggested that flexible work design inspired individuals within the case study organisations to develop their competencies and built up trust between individuals within the organisations. These two elements facilitated individuals' capabilities to aggregate at the organisational level, which consequentially enhanced the SEs' organisational capabilities to tackle challenging conditions (Lengnick-Hall et al., 2011).

These findings demonstrated the case study SEs' ability to deploy resources flexibly, to acquire necessary competencies and expertise to tackle present challenging conditions. As discussed earlier, the challenging conditions that occurred to the case study organisations were diverse and affected a wide range of aspects in SEs' operations. The findings indicated that all four SEs aligned recruitment with the necessary knowledge to tackle challenges, which happened to equip the organisations to get a balance between commercial and social knowledge (Liu & Ko, 2012).

Also, the findings have suggested a consistency across the case study organisations in the intention to enhance individuals' competencies. The four SEs tended to utilise human resources to master new situations and learn new skills at the organisational level. This is consistent with resilience literature: the improvement of an organisation's overall competencies is a pivotal base upon which organisational resilience emerges (Sutcliffe & Vogus, 2003; Burnard & Bhamra; 2011; Meyer, 1982; Lengnick-Hall et al., 2011). Hence, the findings have demonstrated not only a proactive attitude among the case study SEs to tackle challenges, but also the potential to achieve organisational resilience.

8.3.2 Conscious adaption in SEs' strategies for challenges

What was consistent across the findings was that all the four case study SEs demonstrated a capability of adjusting their operations and adapting to challenging conditions. The findings in this research identified two kinds of adaption. The first kind showed that SEs adapted in order to enlarge their capacity to absorb further changes in the challenging condition. The second kind showed that SEs did adapt, but their adaption did not match the core cause of challenges.

Adapting to enlarge the capacity to absorb further challenging conditions

Interactions with business customers and public service users were seen to be used as a prevalent strategy among the four case study organisations, to understand the discrepancies between what the organisations offered and what was demanded. BP and SP were the two case study SEs that particularly emphasised collecting information about their business customers' expectations for services, in order to increase business service quality under intense competition with private companies. The managers in BP underlined their communication with business customers, whilst they treated the communication as more than just informing business customers. The findings showed that the managers paid much attention to the prompt transmission and honest contents of information about service progress and mistakes. Similarly, in SP, the bar manager encouraged staff members to use their personalities to interact with customers, to figure out their expectations. He was aware that the information from customers was critical to adjust the atmosphere in the restaurant bar, which made SP stand out from competitors. The security manager valued business customers' feedback on security guards, which he constantly improved by keeping this staff qualified and positive about their work. The managers in BP remarked that the organisation never lost business contracts to private companies because of service quality, while SP's chief executive was confident that business customers used SP due to the high-quality services.

Unlike BP or SP, who displayed a clear understanding of quality service, none of the interviewees from the other two case study SEs, AH and BG called their organisations 'a service organisation' or expressed any idea of quality service. However, this lack of knowledge about quality service and the lack of self-recognition as a public service organisation (Powell & Osborne, 2015; 2018) did not prevent AH or BG from interaction with public service users. The finding showed that the interaction with public service users in AH and BG was strongly driven by the social aims to support and enhance their public service users' employability. AH and BG emphasised customising the training programmes for each public service user and attempted to design the most acceptable training approaches to prepare for challenging conditions, under which public service users failed to cooperate in on-the-job training. The findings indicated that the two organisations' adjustments to the training contents went into detail, according to the information from these pieces of information from public service users, such as the way to address public service users, the channel used to communicate with them, the length of the training session or the words used to encourage them. In addition, AH and BG kept updating this information, to grow the ability

to quickly identify the different types of public service users and apply specific training approaches to them, which avoided public service users disturbing the public service delivery in the first place. These micro-level interactions (Grönroos, 1990; 2011) facilitated the organisations' understanding of service users' instant demands. Service interactions were important to the case study SEs since users' demands arose with their consumption of the service and the demands directly influenced the following delivery of the public service (Osborne & Strokosch, 2013).

Although there seemed to be division between the four case study organisations, regarding their knowledge of quality service and the self-recognition of service organisations, all SEs were able to deliver quality service on either the business side or the social side. The findings demonstrated that BP and SP were clearly aware that delivering quality service was a key building block to competitive advantage against competitors in the private sector and to gain business patronage (Powell et al., 2019). They aimed at a high standard of performance that met or exceeded the customer's expectations for service (Grönroos, 1981; Wirtz & Lovelock 2018; Powell et al., 2019). Their strategies to improve quality service included receiving information and feedback from business customers. More importantly, the feedback that the two SEs received through the interaction was incorporated in new business services. These findings indicated that BP and SP consciously adapted their business services to business customers' demands, in order to attract business customers' re-patronage (Grönroos, 2015; Grönroos & Voima, 2013).

Public service, being a kind of service (Osborne & Strokosch, 2013), similarly drew AH's and BG's attention to understanding public service users' demands. The findings demonstrated these two case study SEs' capability of proactively interacting with their public service users in public services delivery, not only by collecting feedback from them, but also by utilising the feedback for customising training programmes. The micro-level interactions and adjustments in the service delivery, according to instant service demands, showed AH's and BG's capability to engage public service users (Farmer et al., 2012; Munoz, Steiner & Farmer, 2014). Moreover, the findings implied that both organisations realised that their deliberate adaption of training services to users' demands successfully reduced users' disturbances to the training programmes and increased the effectiveness of training.

Burnard and Bhamra (2011) have argued that challenging conditions sometimes change faster than organisations can forecast and organisations should process a broader range of information. The findings in the research suggested that the four organisations attempted to estimate which service demands might arise from business customers or public service users. Their proactive interactions intensified information flow, communication and coordination, which enabled the organisations to integrate multiple levels of operation and decisions into a coherent response to the challenging conditions in business patronage or public service delivery (Comfort et al., 2001). Furthermore, the findings indicated that the four case study organisations continuously developed knowledge and applied that to adjusting operations, which enhanced the organisations' capabilities to prepare for a wider array of potential challenging conditions (Carpenter et al., 2001; Staber & Sydow, 2002; Burnard & Bhamra, 2011). This is consistent with Vogus and Sutcliffe's (2007) assertion that organisational resilience is achieved under the belief that organisations learn beyond the challenging events that they can readily tackle, while adapting constantly to enhance their capacity to absorb more challenges. Hence, the four case organisations' conscious adaption to business and public service users not only contributed to the quality of service delivery, but also intensified their capacity for resilience.

The adaption to challenging conditions was further identified in SEs' strategies to build relationships with multiple stakeholders, in order to mitigate the conflicts. BG's training coordinator adjusted her way of communication when the conflict with the referral agency arose. By clarifying BG's social mission and how it could fit the Jobcentre's objectives, the SE retained the collaboration with the referral agency. The findings indicated that BG acknowledged that, in addition to quality training services, maintaining a good relationship with the referral agencies was the key to ensuring the source of trainee candidates and establishing BG's reputation. The organisation thus adjusted its operations to seek a balance between its own social goals and the referral agency's demands. Similarly, the findings indicated that SP positively accepted the change in its collaboration with the referral agency and the security manager made efforts to adjust the operation in training services, to comply with the new requirement of contract bidding. The response strategy seemed to focus on solving the conflict, by continuing SP's bonding with the referral agency. SP's chief executive's emphasis on the word 'family-ship' further implied the organisation's recognition that maintaining a good relationship with the referral agency was a pivotal factor in achieving its social mission. Adjustment in compliance with stakeholders' requirements also appeared

after the conflict between SP and its capital investor over internal governance. The findings revealed that SP satisfied the funding body's demands. The organisation set up the board and with the help of board directors, SP not only built the internal governance accordingly, but also developed itself into a business with a portfolio of services. As SP's board director C remarked, SP's adaption and proper growth afterwards satisfied the loan grant funding body, with whom the chief executive built a good relationship and gained more capital investment for various projects in SP.

BG and SP intentionally changed their previous operations to show their commitment to the collaboration and thus exchange it for the stakeholders' trust. Indeed, the findings suggested that the case study organisations proved through their proactive adaption that they shared values with the stakeholders and were therefore willing to adjust their behaviour to ensure a good and long-term relationship (Morgan & Hunt, 1994). These findings demonstrated that the case study organisations undertook strategic ways of enhancing planned communication with stakeholders. Relationship building was well acknowledged by the SEs as a pivotal element to tackling challenges caused by conflicts with stakeholders and to sustain the collaboration (Grönroos, 2006). This deviated from Powell and Osborne's (2015; 2018) argument about SEs' low awareness of relationship building with stakeholders and their opportunistic methods to building relationships. The findings further revealed that relationship building enhanced the commitment and trust between the case study SEs and their stakeholders, which impressed upon the SEs and stakeholders that conflicts did not mean interruption to their collaboration, whilst they were functional and solvable (Anderson & Narus, 1990). This encouraged the SEs and stakeholders to constantly seek amicable ways to settle the conflicts between them together (Morgan & Hunt, 1994), while the SEs learnt from these experiences to strengthen their capabilities for positive adaption to future conflictual situations (Sutcliffe & Vogus, 2003).

Unlike BG and SP, BP chose to abandon the collaboration, since the conflicts with stakeholders became so intense that the SE's ability to deliver public services and achieve the social mission was jeopardised. These findings of BP's effort to seek new training formats and to restructure the training programmes, however, indicated SEs' adaptive capacity to take advantage of any available opportunities within challenging conditions (Gallopín, 2006). The adaptive capacity enabled BP to experiment with new strategies under challenging conditions, while learning from their experiments (Meyer, 1982). The adaption thus enriched

BP's knowledge and assisted the organisation to prepare itself for further adaption under future challenging conditions, which was a practice to enhance the organisation's capacity for organisational resilience (Sutcliffe and Vogus, 2003).

Notably, the findings indicated that the SE title did not play a significant role in case study organisations' conscious adaption to challenging conditions. The chief executives, managers and board directors from BP and SP implied that the SE title was not considered as a proof of ability to fulfil service demands or deliver quality service by their business customers. On the contrary, the SE title was associated with a business amateur. The SE title was mentioned only when their service quality was approved by business customers and the organisations needed additional credit for social impact, to win business patronage. Another justification, as mentioned by AH's chief executive, was to avoid overshadowing what the SE did by emphasising the meaning of the title. Indeed, SE's ability to adapt is often associated with a 'chameleon-like' impression, since many scholars discovered that some SEs capitalise on the ambiguous definition of the term SE, to manoeuvre their dual missions sophisticatedly in front of different stakeholders to gain resources (Teasdale, 2010b; Seanor & Meaton, 2008). However, such practice of adaption was not evidenced in the case study organisations' strategies for tackling challenging conditions. Rather, the findings of adaption in this research manifested the case study SEs' capability to collect information about existing demands and utilise available resources, to reconfigure the organisation according to the changing environment (Staber & Sydow, 2002). These strategies and processes formed a mechanism within the organisations to constantly learn from previous adaption and prepare for further adjustments of operations under changing challenging conditions, which enlarged their capacity to absorb challenges and enabled resilience (Fiksel, 2006; Norris et al., 2008; Bhamra et al., 2011).

Mismatching adaption with challenging conditions

As discussed earlier, public service users with limited working ability hindered business patronage and caused additional cost to AH and BG on the business side. Nonetheless, the findings indicated that the two SEs did not know how to handle business customers' complaints about service quality, when they had a strong feeling for protecting public service users. AH's board director and BG's front-of-house manager explicitly expressed their belief that public service users did their best. Hence, AH refused to urge public service users to complete printing tasks within the given time and BG expected business customers to

understand the slow service in the bistro. These findings suggested that AH and BG deliberately avoided information that was difficult and controversial for the organisation to process. As a result, both organisations chose to ignore negative feedback from business customers.

Whilst the two organisations adhered to their routine processes to continue the business service delivery by public service users, the chief executives recognised the need to address the compromised business side. Therefore, AH added new initiatives to its business scope and BG adjusted its business hours and menu options. When the chief executives from AH and BG talked about the failure of these strategies, they were obviously puzzled by the fact that the new service items and high-quality food did not help the organisations to gain business patronage. These findings implied that AH and BG did not recognise themselves as service organisations on the business side or, at least, the two organisations equalised product quality to service quality on the business side. The two case study SEs attempted to solve the conflict in business service quality by improving the product quality, which demonstrated a typical misuse of product-dominant business logic among SEs delivering business services (Powell & Osborne, 2015). Hence, they wrongly assumed that improving product quality worked under a challenging condition that required improvement in service quality.

A similar adaption was also identified in the financial officer's and the bookkeeper's stagnant plan to improve the internal governance in BG. When BG employed new financial officers and tried to push the business development forward, there was resistance to business-oriented approaches amongst the staff members. The new financial officers were not able to restructure business governance. Instead, their job functions were limited to streamlining the accounting system backstage and installing a new till. The findings demonstrated that the overall low financial awareness within BG was the key hindrance to internal governance, whereas the organisation's strategy focused only on increasing financial officers' responsibilities for improving the financial system. There appeared to be a mismatch between adjustments and challenges.

It was clear that AH and BG were aware of the need to adapt in order to tackle the challenge in business patronage and internal governance. Nevertheless, the feedback on service quality from business customers was controversial for the two case study SEs, while the resistance

to drastic business approaches seriously added difficulty to BG's business development. The two organisations' performance in processing information thus decreased under the complex challenging conditions and they became unable to process the correct range of information essential for the organisations to adjust operations and to form effective response strategies (Comfort et al., 2001). Misunderstanding the core of challenging conditions, the strategies of adaption adopted by AH and BG mismatched business customers' demands and did not serve the purpose of expanding the organisations' capacity to prepare for absorbing more challenges in the future and for organisational resilience.

8.3.3 Unconscious rigidity in SEs' strategies for challenges

The findings also showed that several case study organisations experienced difficulties in adjusting their operations to form response strategies and to adapt under challenging conditions. This was especially evident in AH and BG, when dilemmas between dual missions made the case study SEs feel helpless and therefore took no action and stuck to their routines to cope with the challenging conditions.

Formalising routines

The extreme example of formalising routines was found in AH in the case when the paid staff recommended a hierarchical structure to designate clearer responsibilities to paid staff, public service users and community volunteers. However, this suggestion to adjust the internal governance for business service delivery was rejected by the chief executive and the board director, on the grounds of protecting public service users and volunteers from potential stress from a hierarchical structure. As the board director emphasised, AH did not need any changes, particularly in its ethos of including volunteers and public service users. In addition, the chief executive decided not to spend any more resources in keeping the paid staff members who were in favour of adjusting internal governance.

These conflicting perceptions among internal stakeholders indicated the existence of tension between the organisations' dual missions in AH, which is a usual circumstance in SEs' attempt to balance the social objectives with their commercial activities (Bull, 2007; Russell & Scott, 2007; Moizer & Tracey, 2010). The findings from this research demonstrated that the conflicts among the internal stakeholders created the challenge, which was beyond AH's ability to reconcile. The organisation thus chose to insist on its routines, refusing any new information about internal governance, conserving resource slacks for employees and

centralising decision-making on dismissal, which formed a rigid response to the challenging conditions (Staw et al., 1981). Noticeably, AH did not realise the rigid nature of formalising their routines. The decision-makers of the rigid response tended to justify the strategy as adhering to the organisation's obligation to empower public service users.

Replicating same strategies

The findings further demonstrated that AH and BG tended to use the same strategies repeatedly to tackle changing challenging conditions. Facing the challenges in financial management, AH and BG appeared to replicate strategies of contingent sales and chasing funding grants, although the changes in challenges were acknowledged. AH's overheads changed drastically since the paid staff were employed. Although these staff members' salaries were paid by the funding grants, AH's chief executive understood clearly that the funding grants were termed and AH was unable to afford paid staff at the same salary level with the current cash flow, after the grants were exhausted. BG's chief executive and company secretary both mentioned that opportunities for funding grants had been shrinking over the years and BG faced huge uncertainties in obtaining new funding grants each year. Nonetheless, there was no evidence showing that the organisations implemented other strategies to solve these new issues in financial management.

The obligation to protect public service users in AH and BG caused the organisations to remain rigid and refuse to accept extensive information and knowledge about radical or controversially innovative business models. Both case study organisations saw an extensive emphasis on the business side as a risky sign of losing social sight (Liu & Ko, 2014). This partially explained why the two organisations did not experiment with new strategies to improve financial management, as long as current strategies continued to work.

In addition, it was noticed that some interviewees from AH and BG were curious about why the same challenges in financial management happened all the time and they started to wonder whether the old strategies would succeed in the future. These findings demonstrated that AH and BG had become brittle organisations. They underwent discrete disturbances, but paid no attention, due to the lack of failure experience (Rudolph & Repenning, 2002). AH and BG thus tended to rely on readily tested strategies without updating them, unless harmful results appeared (Rudolph & Repenning, 2002). They were not mindful to consider the possibility that current strategies might fail in the future. This strongly suggested that the SEs

misapprehended the absence of failure as success (Sutcliffe & Vogus, 2007). AH and BG appeared to be ready for future challenges with the already tested strategies. Nonetheless, the brittleness impeded the organisations from processing new information to update the strategies and thus, their strategies were too rigid for potential changes in future challenges (Sutcliffe & Vogus, 2007).

Moreover, the findings indicated that AH and BG accepted the challenge in financial management as a normality among broader SEs. AH's chief executive firmly believed that SE was paradoxical and she was always caught in a contradictory feeling about the business side. On one hand, she claimed that AH aimed to sustain itself through business activities. On the other, she underlined that AH was not a business and she disagreed that SE should concentrate on developing the business side. BG's chief executive stressed that all SEs, to her knowledge, were financially unsustainable. She also affirmed that BG would never be financially sustainable without funding support. The staff members in BG shared the same perception that the organisation would continue counting on funding income.

The findings suggested that the two case study organisations considered SE as a compromised business. AH and BG seemed to accept the claim that SEs' long-term persistence depends on their ability to draw mixed-income streams from unearned income and commercial training activity (Austin et al. 2006; Foster & Bradach 2005; Laville & Nyssens, 2001; Peredo & McLean 2006). These arguments, however, encourage a low expectation for SEs to entirely sustain themselves with income from the business side which, however, does reflect the reality that the majority of SEs cannot financially support themselves with pure trading income (Powell & Osborne, 2015; 2018). This thesis thus argues that AH and BG took in the general comments on SE's financial unsustainability and became unconsciously contented with the status quo, and treated changes in the challenge of financial management lightly.

The findings have uncovered the case study SEs' unconscious rigidity in the face of challenging conditions and revealed two forms of rigidity. The first form was the formalisation of routines and rejection of change in the face of challenges that were caused by the intensified tension between dual missions. The second form was the repeated use of tested strategies, ignoring changes in challenging conditions. This rigidity was related to SEs' reluctance to experiment with new strategies and their misapprehension of the absence of

failure. Additionally, this form reflected SEs' contentedness about the status quo, which stemmed from the widely approved comments on SEs' mixed-income sources and compromised business side. The findings evidenced that the strategies of rigidity prevented the two case study SEs' from adapting to the challenging conditions, since they intensified routines and reduced the possibility for strategies and processes outside of formalised responses (Hermann, 1963; Brouillette & Quarantelli, 1971; Khandwalla, 1972; Staw et al., 1981). Instead, the strategies of rigidity consequentially led the organisations to maladaptive processes, a collective name for barriers to organisational resilience (Staw et al., 1981; Sutcliffe & Vogus, 2003).

8.3.4 Summary: SE's strong intension to tackle challenges and SE's willingness to adapt

The sections above aimed to address the second research sub-question: *What capabilities and strategies do SEs develop to tackle challenges?*

The strategies adopted by the four case study organisations when facing the challenges have been discussed. Three themes concerning the nature of strategies emerged from the data, including consistent HRM approaches in SEs' strategies for challenges; conscious adaption in SEs' strategies for challenges; and unconscious rigidity in SEs' strategies for challenges. These themes suggest SEs' strong intention to tackle challenges and a range of willingness to adapt, shown in the SEs' strategies for challenges.

As discussed in Chapter Two, there is a gap in the knowledge of if and how SEs can manage the challenges that have been recognised in their hybrid organising and delivery of public services (Battilana & Lee, 2014; Doherty et al., 2014; Powell et al., 2019; Young, 2012). Before looking at the SEs' specific strategies, this research has found that SEs acknowledge the negative impact (Comfort et al., 2001; Holling, 1996; Meyer, 1982) these challenges exert on their operations and the necessity to adopt certain strategies. The findings of SEs' strong intention to tackle challenges underpin the practical grounds of studying SEs' strategies for challenges. Besides, the findings have provided new empirical data to show the significance of human resources management in SEs' organisational activities and managerial practices to tackle the challenges. Prior studies have argued that a hybrid workforce, in the sense of composition dimension, contributes to good practice of hybrid organisation and delivery of high-quality public services (Battilana & Lee, 2014; Powell et al., 2019). This research complements this argument by emphasising that a workforce of hybrid competences and

hybrid approaches to fostering competences enhance SEs' organisational capacity to tackle challenges.

Moreover, the research has offered new empirical data about SEs' organisational activities and managerial practices, by examining SEs' willingness to adapt (in terms of adaptive capacity) in response to challenges. The findings have initially indicated that adaptive strategies enable SEs to make long-term preparations for future challenges, whilst rigid strategies tend to help SEs cope with challenges in the short-term only. Furthermore, the findings also suggest that there is no consistency of willingness to adapt at the organisational level. For instance, AH and BG demonstrated both adaptability and rigidity in their different strategies for challenges.

The following section will analyse further the consequences of SEs' strategies for challenges.

8.4 ANALYSIS OF CONSEQUENCES OF SOCIAL ENTERPRISES' STRATEGIES

The previous sections have discussed the nature of SEs' challenging conditions and SEs' strategies under challenging conditions. The analysis of findings from the four case study organisations has revealed the sources that brought about challenges in SEs. The approaches taken by the case study SEs to enhance individuals' competencies within the organisations demonstrated a strong intention to tackle challenges in all four of the SEs. Whilst adaption was evidenced as a conscious strategy among the SEs, rigidity was also identified as an unconscious strategy, under the challenging conditions that were difficult for them to respond to and adjust operations for. The preceding sections have focused on discussing the two themes of consequences (see Table 8.3) that resulted from these response strategies, examining them against the organisational resilience theory.

Table 8.3: Third layer of analysis: consequences of SEs' strategies for challenging conditions

Axial Codes	Second-order Themes	Theoretical Dimension
• Absorbing current challenges and preparing for future challenges	Resilient consequences	The coexistence of resilience and maladaptive processes within SEs
• Rigid response • Rigorous plans • Mismatched adaption	Maladaptive consequences	

8.4.1 Resilient consequences

Ecological resilience is defined as the capability to enlarge the magnitude to absorb disturbances, in order to undermine the negative impact of disturbances (Holling, 1996). Following this, Holling (2001) has asserted that organisations align with the ecological adaptive cycle to adapt and learn from disturbances for renewal. Vogus and Sutcliffe (2007) have extended Holling's assertion and argued that resilience implies more than *a specific adaption* and includes preparing for adaption to future adversity, which requires improvement in an organisation's overall capabilities to adapt. More recently, this evolutionary perspective is further interpreted in the organisational context, that resilience is more than a process to address current challenges and extends to cultivating the capability to adjust an organisation's functioning across current and future challenging conditions (Burnard et al., 2018; Hollnagel & Fujita, 2013; Norris et al., 2008; Martin, 2012; Manyena et al., 2011). Therefore, this research has defined resilience as adaptive processes that enable the organisation to expand its capacity to absorb current challenges and prepare for future challenges.

As discussed in the previous sections, AH and BG proactively interacted with their public service users during the delivery of training services, which enabled the organisations to grasp instant demands from public service users. The individuals working in these SEs, with their competencies, were capable of customising training services, according to the new demands; of accumulating experiences of customisation to predict public service users' future demands for the training programmes. Similar processes were found in BP and SP in their delivery of business services. The two SEs were capable of integrating business customers' new demands into high-quality services, which assisted the organisations in gaining advantage in the competition for business patronage. The findings also showed that BG and SP were able to identify demands for collaboration from their referral agencies and capital investor. The two organisations adapted to these demands to build relationships with stakeholders, which helped to mitigate further conflicts and inspired the SEs to keep adapting to maintain good relationships. When falling out with the referral agency, though, BP relied on the training manager's competencies to seek new opportunities for the social mission. The challenging conditions stimulated BP to restructure the training programmes and keep adapting to the new trends in training services.

8.4.2 Maladaptive consequences

The findings also uncovered situations in which the case study organisations failed to enhance their capacity to absorb challenges. On the contrary, their strategies led the organisations to maladaptive processes. In response to the challenge in internal governance, AH remained rigid to the conflict among stakeholders, formalising its routines, rejecting new information and dismissing a 'rebellion' of paid staff members. Obviously, the purpose was to ensure normal performance within AH. Although rigidity may function well to tackle small and known challenges (Boyne & Meier, 2009; Staw et al., 1981), as discussed earlier, the challenge in internal governance evolves with the growth of SE and simply concealing the challenge does not prevent its reoccurrence. Additionally, rigidity to challenges weakens organisations' ability to estimate the impact of changes in their environments and consequentially undermines organisations' adaptive capacity to counteract major and novel challenging conditions (Sutcliffe & Vogus, 2003). Therefore, AH's strategy resulted in a rigid response, that led to maladaptive processes.

AH and BG were found to use the same strategies repeatedly, when facing the challenges in financial management. Although the two SEs were familiar with the pre-designed plans and able to implement them quickly when the challenges happened, the findings indicated that AH and BG did not update their plans, despite huge changes in the challenges. As the findings showed, the two SEs' pre-designed plans barely helped the organisation to pull through when the challenges became tougher. Burnard et al. (2018) argue that organisations' risk management plans do not necessarily lead to resilience, since the plans are usually well developed and leave little room to modify when unpredictable risks arise. The plans eventually become rigorous in the face of changes and are followed by maladaptive processes (Staw et al., 1981).

AH and BG did not stay rigid under the challenge of business patronage. The findings demonstrated that they adapted proactively to improve product quality. However, their adaption deviated from the causes of the challenges, which were business customers' expectations for quality service and the hidden cost of using public service users as the main workforce. Obviously, the strategies adopted by AH or BG did not enable the organisations to enhance their capacity to absorb current and subsequent challenges. This thesis thus considered that mismatched adaption was a dysfunctional strategy that resulted in maladaptive processes and prevented SEs from achieving resilience. Nonetheless, the

situation of mismatched adaption has not been previously explored in the literature of organisational resilience. The existing literature of organisational resilience only lists rigid responses and rigorous plans in the maladaptive processes (Burnard et al., 2018; Sutcliffe & Vogus, 2003). Moreover, the existing literature evaluates resilience by organisations' capability to adapt *at present* and *in the future* to absorb challenges, emphasising the effectiveness of adaption in terms of time (Burnard et al., 2018; Hollnagel & Fujita, 2013; Norris et al., 2008; Martin, 2012; Manyena et al., 2011). The findings have demonstrated that the content of adaption is another dimension that influences organisations' capacity to absorb challenges. This thesis thus argues that organisational resilience is not achieved through adaption to the wrong cause of the challenge. Hence, the identification of mismatched adaption, a new barrier to organisational resilience, has extended the idea of maladaptive processes and thus contributes to the development of organisational resilience theory.

8.4.3 Summary: Coexistence of resilience and maladaptive processes within SEs

The sections above focus on the third research sub-question: *What consequences arise from SEs' strategies to tackle challenges?*

Two themes emerged from the findings, which were resilient consequences and maladaptive consequences. These findings evidenced that all of the four case study SEs had the ability to adapt to expand their capacity to absorb current and future challenges. Nonetheless, the findings indicated that resilience did not occur under every challenge experienced by the case study organisations. This has confirmed that resilience is an outcome that emerges from organisations' strategies and processes to tackle challenging conditions, rather than an attribute that organisations always possess (Bhamra et al., 2011; Comfort et al., 2001; Norris et al., 2008; Sutcliffe & Vogus, 2003; Vogus & Sutcliffe, 2007).

The findings also demonstrated a range of occasions on which resilience from challenges was not achieved by the case study SEs. Maladaptive consequences were found resulting from SEs' rigid response and rigorous plans. In addition, the research has identified a new situation of maladaptive processes, mismatched adaption and a new dimension to evaluate organisational resilience. These are novel contributions that this thesis makes to the knowledge of organisational resilience.

Table 8.4 presents the integrated analysis of the source of case study SEs' challenges, their strategies and the consequences arising from their strategies. Attention now turns to integrate the three layers of analysis, so as to probe the latent pattern between SEs' challenges, strategies for challenges and consequences of strategies. The following section will discuss the contingent nature of SE's achievement of resilience, identified in the integration of analyses. A conceptual framework of SE's resilience contingency is presented.

Table 8.4: The integrated analysis of consequences across the case study organisations			
Consequences of responding strategies	**Case study organisations and responding strategies**		**Source of challenges**
Achievement of Resilience	*Arts House* AH customised training services according to the new demands and learnt from these experiences, to prevent public service users' further disruptions to the training programmes.	Conscious adaption	Conflicts related to multiple stakeholders
	Bistro Gallery BG customised training services according to the new demands and learnt from these experiences to prevent public service users' further disruptions to the training programmes.	Conscious adaption	Conflicts related to multiple stakeholders
	BG sought out a balance between its own objectives and the referral agency's interests, to maintain the long-term relationship and adapted constantly to this balance.	Conscious adaption	Conflicts related to multiple stakeholders
	Business Park BP sought out new opportunities for the social mission and kept adapting to the new trends in training services.	Conscious adaption	Conflicts related to multiple stakeholders
	BP integrated business customers' new demands into quality services and relied on the high standard of services to retain patronage and enlarge the customer base.	Conscious adaption	SE's hidden cost
	BP invited more professionals on board and employed managers who had rich experience in the private sector, to keep enhancing corporate governance.	Conscious adaption	Conflicts related to multiple stakeholders
	Security & Pub SP adapted itself to the referral agency's new regulation, which helped it maintain the long-term relationship.	Conscious adaption	Conflicts related to multiple stakeholders
	SP integrated business customers' new demands into quality services and relied on the high standard of services to retain patronage and enlarge the customer base.	Conscious adaption	SE's hidden cost
	SP turned to alternatives of capital investment, which nonetheless, led the organisation to the new challenging condition in internal governance.	Conscious adaption	Conflicts related to multiple stakeholders
	SP adapted itself to grant loan funder's requirement, employed managers and invited board directors who had rich experience in the private sector, to build up SP's internal governance. These measures led to a good relationship with the funder and further capital investments from the funder.	Conscious adaption	Conflicts related to multiple stakeholders

Table 8.4 continued			
Consequences of responding strategies	**Case study organisations and responding strategies**		**Source of challenges**
Maladaptive processes – mismatched adaption	*Arts House* AH avoided the issue of public service users' limited ability to deliver high-quality business services, while attempting to tackle the challenge by increasing product options. These strategies missed the core of the challenge in business patronage and failed to solve it, which impeded business income generation and further led to the challenge in financial management.	Conscious adaption	Mixed source of conflicts and hidden cost
	Bistro Gallery BG avoided the issue of public service users' limited ability to deliver high-quality business services, while attempting to tackle the challenge by increasing product options. These strategies missed the core of challenge in business patronage and failed to solve it, which impeded business income generation and further led to the challenge in financial management. BG's development of internal governance was constrained to modest improvement in the financial system, instead of raising overall financial awareness, due to staff members' resistance to becoming 'too business-like'.	Conscious adaption Conscious adaption	Mixed source of conflicts and hidden cost Mixed source of conflicts and hidden cost
Maladaptive processes – rigorous plan	*Arts House* AH developed the previously successful strategy of contingency sales into a rigorous plan to solve cash flow crises. However, the plan allowed little modification, in spite of huge changes in AH's cash flow situation.	Unconscious rigidity	Mixed source of conflicts and hidden cost
	Bistro Gallery BG developed previously successful strategies of chasing funding grants into a rigorous plan to solve the annual financial deficit. However, the plan allowed little modification, in spite of a huge decrease in funding opportunities.	Unconscious rigidity	Mixed source of conflicts and hidden cost
Maladaptive processes – rigid response	*Arts House* AH retained the existing non-hierarchical governance that benefitted public service users, despite opposition from some internal stakeholders.	Unconscious rigidity	Conflicts related to multiple stakeholders

8.5 TOWARDS A CONCEPTUAL FRAMEWORK OF RESILIENCE CONTINGENCY

The findings have demonstrated that all the case study organisations achieved resilience from various challenging conditions. This evidenced that all the case study SEs actually possessed the capability to adapt for resilience. However, maladaptive processes were also evidenced. The coexistence of resilience and maladaptive processes within SEs motivated the researcher to further analyse and explain what factors facilitated or hindered the case study SEs' achievement of resilience. Noticeably, the findings revealed that all four case study SEs had clear plans and intentions to continue adapting to the challenges arising from single causes. The situation of maladaptive processes was found in the efforts to tackle challenges arising from multiple causes.

The neo-contingency model explains that individual organisations tend to match their internal contingencies, such as structural variables, with external contingencies that organisations are confronted with at a given point in time (Donaldson, 2001). Two contingent factors thus emerged from the findings: the complexity of SE's challenges, as the external contingency and SE's willingness to adapt, as the internal contingency. Following the neo-contingency model, this thesis combined the two dimensions of the internal and external contingencies identified. Figure 8.2 presents a conceptual framework of SE's resilience contingency.

SE's willingness to adapt	Complexity of SE's Challenges: Single source	Complexity of SE's Challenges: Mixed source
Conscious adaption	***Resilience*** Key features in external contingency: • Straightforward impact on SE's achievement of the social or business mission Key features in internal contingency: • Strong intention to tackle challenges • Flexibility to adjust operations according to challenges • Tendency to explore new opportunities in challenges • Willingness to learn from the experience of challenges Strengths: • Long-term and strategic preparation for unexpected challenges Potential issues: • Intense requirement of resource input • Confusing duties among staff members	***Mismatched adaption*** Key features in external contingency: • Complicated impact on SE's achievement of both social and business missions Key features in internal contingency: • Strong intention to tackle challenges • Reluctance to drastically change operations • Tendency to experiment with easy strategies for challenges Strengths: • Resistance to drift of pre-set missions Potential issues: • Waste of resource to adapt to the wrong cause of the challenge
Unconscious rigidity	***Rigid response*** Key features in external contingency: • Straightforward impact on SE's subordinate mission Key features in internal contingency: • Preference for normal routines • Reluctance to change Strengths: • Resistance to drift of pre-set missions • Least impact on everyday operation Potential issues: • Short-term orientation and vulnerability to challenges in long run	***Rigorous plan*** Key features in external contingency: • Complicated impact on SE's achievement of both social and business missions Key features in internal contingency: • Well-developed plans for challenges • Tendency to be content with the status quo and ignore new changes in challenges Strengths: • Quick response to already known challenges • Least impact on everyday operation Potential issues: • Vulnerability to unpredictable changes in challenge conditions

Figure 8.2: A conceptual framework of SE's resilience contingency

8.5.1 Explaining the framework

The quadrant of *resilience* shows that when the challenge is caused by a single source and strategies for the challenge manifest adaption in operations, the SE is likely to be resilient from the challenge. The single source makes things straightforward for the SE to analyse the challenges. This is reflected in AH, BG, BP and SP, who achieved resilience from the challenges of stakeholders' conflicts and in BP and SP, who additionally achieved resilience from the challenges of hidden cost. Challenges of a single source create a relatively easy environment that only requires the SE to process specific information about the challenge, mobilise necessary resources and find the individuals with designated competencies to handle the challenge (Comfort et al., 2001). In addition to this external contingency, the SE happens to be fully motivated to tackle the challenge. It perceives every challenge as an opportunity to improve its delivery of social and business missions (Battilana & Lee, 2014; Burnard & Bhamra, 2011; Burnard et al., 2018; Doherty et al., 2014). For instance, AH and BG shared a social-mission oriented perception of SE and therefore, they were motivated to respond to challenges related to public services. BP and SP emphasised a business-mission oriented understanding of SE and therefore, they were proactive in tackling challenges that affected business development and income generation. Thus, the SE deliberately leaves flexibility in its operations to implement instant adjustments, once the strategies are decided. Meanwhile, the organisation learns from its experience to predict and prepare for similar challenges in the future. For the SE, achieving resilience from the challenge means that the organisation constantly enhances its capacity to absorb the disturbances from the challenge, so that the organisation can confidently handle similar, but more difficult, challenges in the future. Although resilience is a desirable result from SEs' strategies for challenges, it intensely requires the organisation to invest resources, for instance in individual competencies, reconfiguration of operations and experimentation of new strategies (Burnard et al., 2018). Considering that most SEs have limited resources, especially in the financial sense (Bridgstock, et al. 2010), resilience is not always achievable and there will be trade-offs for maladaptive processes (Burnard et al., 2018).

There was only one example of a rigid response in the research, AH's response to the challenge of internal governance. This example presented unique features to illustrate this quadrant. The external contingency in this quadrant refers to the challenge of a single source, which, however, hinders the delivery of SE's subordinate mission. In the case of AH, the challenge hindered its business service, whilst it did not affect the delivery of the prioritised

social mission. This negatively influences SE's willingness to adapt, since adaption costs resources. Following this external contingency, SE's strategies tend to be featured with entrenched routines and resistance to changes in normal operations. For the SE, the positive side of a rigid response is to ensure that the pre-set missions are delivered as usual and the normal routines are retained. The possibility of mission drift is therefore low. Nevertheless, the potential issue is obvious. Rigidity may function for small challenges (Boyne & Meier, 2009; Staw et al., 1981), whereas the challenge for SE is changing and evolving in nature (Smith & Fischbacher, 2009). In the long-run, rigid responses increase SEs' vulnerability to challenges and fail to help SEs go through bigger challenges in the future.

In the quadrant of *mismatched adaption*, the external contingency changes. The challenge arising from mixed causes creates a complex environment that negatively affects SE's capacity to process information and integrate multiple levels of operation and decisions into a coherent response strategy (Comfort et al., 2001, Norris et al., 2008). This is reflected in the challenges of business patronage in AH and BG, and the challenge of internal governance in BG. The two case study SEs were confronted with challenges caused concurrently by stakeholders' conflicts and hidden cost. Although the SE intends to adjust the operations according to the external contingency, the organisation has concerns over the impact of new strategies on its delivery of social and business missions. For example, both AH and BG feared that excessive attention to the business side would distract the organisations from the social missions and compromise the delivery of public services. Despite the proactive adaption that responding strategies lead to, the content of adaption is bounded, due to SE's resistance to drastic adjustments. This compromises SE's capacity to absorb the challenge. The positive side of mismatched adaption is that the responding strategy may exert the least impact on SE's prioritised mission. Nonetheless, adaption costs resources (Burnard et al., 2018). When the adaption does not match the causes of challenge or covers only part of the causes, the challenge remains and resources are wasted.

Facing the same external contingency of challenges caused by mixed sources, the SE may opt to stay rigid. The application of well-developed plans enables the SE to quickly respond to the challenge, whenever it happens. Unlike adaption, the implementation of pre-designed plans does not require additional resources to process new information or to recruit or foster new competencies, which exerts little impact on the SE's daily operations. This is manifested in AH's and BG's strategy to tackle challenges in financial management. Both organisations

had well-prepared and repeatedly tested plans. Nevertheless, the issue of rigorous planning exists, regarding its indifference to new changes in the challenge and the little room allowed for modification, even if new changes are recognised (Burnard, et al., 2018). In the case of AH, the overheads changed substantially with the increase in staff payroll, whilst AH did not update the risk plan for the cash flow crisis accordingly. Similarly, the decrease of available funding grants was not taken into account in BG and its risk plan for fiscal deficit stuck to funding chasing. In the long term, the ignorance of the changing nature of challenges undermines SE's ability to prepare and absorb unexpected challenging conditions.

The framework provides an in-depth analysis of the conditions in the external environment and the options SEs have in response. It demonstrates the contingent nature of SE's achievement of resilience: resilience is achieved only when the challenge is caused by a single source and the SE adapts to the challenge. Under other conditions, the SE ends up with maladaptive processes. It needs emphasising that this thesis does not advocate for resilience being the ultimate goal that SEs should pursue or that maladaptive processes should be prevented through their strategies for challenging conditions. As the framework shows, either resilience or maladaptive processes have unique strengths and potential issues. What this conceptual framework aims to display is the diverse scenarios arising from SEs' strategies for challenges and the possible justifications for choosing specific strategies in light of challenges.

8.5.2 Implications for public services delivery

The context of this research is embedded in the Scottish Government's public policies that encourage SEs to actively engage themselves in public services delivery, especially in the form of delivering public service contracts. Analysing how the case study organisations responded and ended up with different consequences from a range of challenging conditions, the discussion continues to examine the relevant implications for SEs' delivery of public services.

As discussed in Chapter Four, the public policies implemented by the Scottish Government aim to foster an environment where SEs can be more financially sustainable, more engaged with local communities and delivering more high-quality public services. Nevertheless, there are three major issues with the SE development in Scotland: a low proportion of trading income, low recognition of SE identity and difficulty in accessing the public service market for contract bidding. The environment for SE development is not as favourable as the Scottish

Government has claimed (Mazzei & Roy 2017; Roy et al., 2015). Studying how the case study organisations responded to a range of challenging conditions, the findings from this research have indicated that SEs were able to overcome the issues in the overall environment for their development and contribute to high-quality public services. The discussion above has touched upon some trade-offs within SEs' strategies to tackle challenging conditions and the consequences of these strategies, and more trade-offs regarding public services and trading income are discussed below.

The findings showed that all four case study SEs achieved resilience from the challenges in public services delivery, but at different levels. AH and BG were embedded in their local communities. They integrated the delivery of public service closely with the business activity and emphasised the persistence of public services at the level of individual users. Nevertheless, their distinctive attention to empowering vulnerable and marginalised people (Lloyd, 2004; Teasdale, 2010a) distracted the two SEs from facing business customers' real demands, seizing new business opportunities outside the locale and implementing more radical business models. This suggests SE's delivery of high-quality public services at a price of modest trading income and hidden cost, including ineligible sizes for public service contracts.

BP and SP represent SEs that are large in scale, to compete in open markets and public procurement. They focused on the persistence of public services at the level of service contracts. The findings suggest that these organisations select public service users suitable for the training programmes and potentially able to become employable, rather than targeting people in great need of employability training. There seem to be insufficient grounds to argue that these SEs can provide high-quality public services, since they tend to value more public service contract holders' demands, whilst trainees are seen more as a means or commodities to retaining training programmes. Hence, this research considers the quality of public services being a latent trade-off in SEs that are involved in public service contracts.

Evidence from this research has indicated that Scottish SEs are diverse in practice and not a single type of practice can entirely meet the Scottish Government's promotion of SE regarding high-quality public services, capacity for contract bidding and financial sustainability (Sutherland et al., 2015). The research has found the discrepancy between the

policy rhetoric and the reality of SEs' appropriateness to deliver public services, which resonates with the ongoing debate that SEs lack sufficient grounds to argue that they can provide more innovative, cost-efficient and responsive public services than other kinds of public service organisation (Calò et al., 2018; Carmel & Harlock, 2008; Chapman et al., 2007). This research goes further than these studies and identifies that SEs are different in their capability to tackle challenging conditions in public services delivery and they face trade-offs to become financially sustainable and capable for contract bidding or to deliver high-quality public services. The findings have suggested that Scottish SEs of different practices have their own strengths and weaknesses in public services delivery, whereas the current policy environment has only recognised the strengths and neglected the fact that the weaknesses are coexisting trade-offs to the strengths. This has led to an assumption in the Scottish Government's promotion that every SE is able to build up all of these strengths eventually. This thesis argues that the reality is that SEs of different practices complement each other in public services delivery, rather than learning from each other to become the most appropriate public service organisations. These findings have explained the discrepancy between the policy rhetoric about SEs and their real capabilities to deliver public services.

8.6 CHAPTER SUMMARY: CAN SOCIAL ENTERPRISES ACHIEVE RESILIENCE?

The thesis has carefully conducted an interpretivist analysis, which was inspired by a grounded-theory approach and an abductive approach. The grounded-theory approach motivated the researcher to move between asking questions, generating hypotheses and making comparisons (Corbin & Strauss, 1990), while an abductive approach inspired the researcher to look up the literature again and link the literature to the previous knowledge and the collected data, to create a new understanding of resilience and SE (Dubois & Gadde, 2002). In doing so, this thesis has undertaken two 'stocktaking' tasks. It has teased out the challenges confronted by SEs involved in public service delivery and the strategies adopted by SEs. In the process of analysing the challenges and strategies, hints became visible and led to latent patterns between the complexity of SE's challenges and SE's willingness to adapt. Interesting concepts have emerged from the research and have been articulated in the framework of SE's resilience contingency.

Referring back to the knowledge gap that this research aims to fill, the research has explored if and how SEs can manage challenges. Above all, the research has uncovered that SEs' challenges emerge and evolve along with the growth of the organisation. This changing

nature of challenges implies that SEs' strategies may need to evolve accordingly. The research has demonstrated that SEs have the potential to solve their challenges in the long term. This is evidenced by the findings that all the case study SEs possessed the capability to process the information of challenges, refer challenges to individuals with the right competences and adjust operations to implement new strategies (Sutcliffe & Vogus, 2003). Meanwhile, they learnt from the experience of tackling challenges to grow the ability to predict and prepare for similar challenges in the future. Moreover, the research has found that SEs particularly acknowledge adopting approaches in human resource management, to enhance individuals' competences to tackle challenges. The problem of limited resources to recruit skilled employees (Austin et al. 2006; Bridgstock et al. 2010; Dees, 1998a) did occur to the case study SEs, whilst alternative ways of normal recruitment were identified, such as mobilising volunteers, recruiting part-time employees and identifying and fostering new skills amongst existing employees. These strategies have enabled the SEs' adaptive capacity to absorb current and future challenges, which leads to organisational resilience (Burnard & Bhamra, 2011; Holling, 1996; Sutcliffe & Vogus, 2003).

However, the research has also found circumstances under which SEs' strategies did not enable the organisations to adapt to newly emerging or evolving challenges. This is evidenced by the findings that the SE formalised routines in response to the challenge, without taking any other measures. Additionally, the research has further found the repeated use of pre-designed plans to overcome challenges among SEs. These strategies have helped the case study SEs to cope with the challenges in the short-term, but the findings showed that the challenges had been constantly puzzling the SEs, rather than being entirely solved. This is consistent with the argument of organisational resilience, that rigidity (Staw et al., 1981) to challenges manifests organisations' ignorance to the dynamics of challenges and misinterpretation of *a lack of failure* (Vogus & Sutcliffe, 2007). The adoption of these two types of rigidity makes SEs brittle in the face of unexpected changes to challenges (Vogus & Sutcliffe, 2007) and lead SEs to maladaptive processes, without solving challenges (Burnard et al., 2018).

The findings regarding the challenges and the SEs' strategies for challenges have aroused a puzzle: even though a SE has the capability to adapt and seek long-term solutions to some challenges, why does it still choose to stay rigid while facing other challenges? This puzzle inspired the researcher to continue analysing the patterns of challenges and SEs' strategies,

and the latent relationships between these patterns. Two dimensions then emerged from the findings, underlying the conceptual framework of SE's resilience contingency. What has been articulated through the framework is that long-term solutions to challenges, i.e. resilience, is contingent for SEs. The consequence of a SE's strategy is determined by the complexity of the challenge and the SE's willingness to adapt to the challenge. Resilience is achievable when a SE confronts a challenge of a single cause and the organisation is willing to adapt to the challenge. The findings have demonstrated SEs' attempt to adapt when facing complex challenges. Nonetheless, SEs' adaptive capacity was compromised by SEs' unwillingness to process controversial information about complex challenges. Instead of achieving resilience, the SEs mismatched adaption with challenges, which this thesis identified as a new kind of maladaptive process.

The discovery of dynamic relationships between challenges and SE's willingness to adapt, and the contingent nature of SE's achieving resilience from challenges are my contribution to knowledge. This contribution will be further explored in the concluding chapter, to illustrate the empirical, theoretical and practical contribution that this thesis has made. The concluding chapter will also discuss the limitations of the research and future research directions.

CHAPTER 9

CONCLUSION

9.1 INTRODUCTION

This concluding chapter presents the summary of this research and the contribution this thesis makes to the SE literature and the resilience theory. The aims of the research and the key research findings are restated, before the chapter proceeds with assessing the contribution that the thesis has made empirically, theoretically and practically. Finally, research limitations and future research directions are discussed, and the researcher's development is reflected upon.

9.2 SUMMARY OF RESEARCH AIMS

This thesis aimed to explore the strategies by which SEs delivering public services seek to tackle challenges. Drawing upon a theoretical understanding of resilience, this thesis also set out to examine the effectiveness of the strategies. Adopting a case study approach, four SE case studies involved in employability training services in Scotland were examined. There was one overarching research question and three research sub-questions, which this thesis sought to address:

Can SEs involved in public services delivery achieve resilience from challenges and in which contingencies?

- SQ1. How do challenges arise in SEs involved in public services delivery?
- SQ2. What capabilities and strategies do SEs develop to tackle challenges?
- SQ3. What consequences arise from SEs' strategies to tackle challenges?

This research aimed to fill the gap in knowledge regarding SEs' organisational activities and managerial practices in response to challenges. The first part of the literature review in Chapter Two identified an expanding stream of literature in the SE field focusing on the challenges arising from SEs' hybrid organising of social and business missions (e.g. Seanor & Meaton, 2008; Scott & Teasdale, 2012; Tracey & Jarvis, 2006; Russell & Scott, 2007; Spear et al., 2009; Zimmer et al., 2018). It remains unclear in the literature about what SEs do under challenging conditions and to what extent SEs can tackle challenges, in order to survive and thrive (Battilana & Lee, 2014; Doherty et al., 2014; Young, 2012). As shown in the policy context in Chapter Four, several emerging studies have discovered various difficulties for SEs

to be involved in public services delivery in Scotland (Roy et al., 2015; Mazzei & Roy, 2017). In spite of these unaddressed doubts, the Scottish Government continues to promote that SEs will play a prominent role in delivering public services in Scotland.

For the purpose of building a tool to analyse SEs' strategies, this thesis employed the lens of organisational resilience. Chapter Three presented the transfer of resilience theory from ecological studies to social domains. The concept of resilience at the organisational level refers to an organisation's adaption to enable the organisation to enlarge its capacity to absorb current and future challenges, which ensures long-term solutions to challenges (Burnard & Bhamra, 2011; Holling, 1996; Sutcliffe & Vogus, 2003). The chapter also explores the opposite to resilience, maladaptive processes, which result from organisations' rigidity in the face of challenges and lead to short-term solutions. The review of literature helped the researcher develop a conceptual framework to analyse the strategies employed by the case study organisations and the consequences.

Aligning with the exploratory nature, the research undertook an interpretivist and constructionist approach. A qualitative case study methodology has generated an extensive array of findings from 30 semi-structured interviews with chief executives, board directors, staff members, volunteers and former service users, together with observations during board meetings and daily operations, and document analysis. The analysis of findings followed a grounded theory approach. Meanwhile, the researcher kept looking up the literature again and linking the prior literature to the collected data.

Some novel approaches to the data analysis have strengthened the conceptual contribution of the research. The research has drawn on Miles et al.'s (1978) seminal framework that categorises patterns of organisations' behaviour in adjusting to their environments. The research has borrowed the key ideas of this seminal framework and situated them in the contemporary SE setting, by dividing the data into three analysis layers: challenges, strategies and consequences of strategies. Themes and theoretical dimensions which emerged from respective layers were then integrated, to understand the relationships between the multiple layers and paved the way to the development of the conceptual framework of SE's resilience contingency.

The next section will present a brief review of the findings within this research, before the chapter proceeds to consider the empirical, theoretical and practical contributions.

9.3 SUMMARY OF THE KEY RESEARCH FINDINGS

16 challenges in total have been reported by the case study organisations. The challenges exerted negative impact on four main aspects in SEs operations: public service delivery, business patronage, financial management and internal governance. The findings concerning the sources of challenges partially resonated with the existing literature, in that multiple stakeholders' conflicting demands for SEs' social and business objectives induced challenges for SEs (Battilana & Dorado, 2010; Battilana & Lee, 2014; Doherty et al., 2014; Spear et al., 2009; Jay, 2013; Pache & Santos, 2013). In particular, the findings have indicated the significant impact of the hidden cost on SEs' operations and explicitly explained how it could cause challenges for SEs. The research has identified that the adoption of dual missions and hybrid organising increases SEs' competitive disadvantage and opportunity cost, which deprives SE of opportunities and benefits enjoyed by organisations with a single mission. Amongst the 16 challenges, nine challenges were caused by conflicts related to multiple stakeholders alone, two by the hidden cost alone and five by a mixed source of conflicts and hidden cost. Moreover, the findings have evidenced the changing nature of challenges in the SE context (Smith & Fischbacher, 2009), showing that new challenges emerge and old ones evolve along with the organisation's growth. This demonstrates that SEs' strategies to tackle challenges may need to evolve accordingly.

The research has found that the case study SEs all had strong intentions to tackle challenges. They especially adopted strategies in human resource management, to enhance individuals' competences to handle challenges within the organisations. However, the findings further demonstrated that SEs' strategies reflected a discrepancy in their willingness to adapt in response to different challenges. In ten challenges, the four case study SEs were found processing information about the cause of challenges, referring challenges to individuals with the right competences to handle them and adapting operations quickly under challenging conditions (Sutcliffe & Vogus, 2003). These strategies contributed to the SEs' achievement of resilience and long-term solutions to the challenges. In four challenges, two particular SEs, AH and BG, were found to stay rigid in response to challenges, by formalising routines or using pre-designed strategies repeatedly. In the remaining two challenges, AH and BG attempted to adapt, whilst they processed the incomplete information about the challenges and the adaption did not effectively solve the challenges. These strategies led to SEs' maladaptive processes and short-term solutions to challenges.

The findings revealed the coexistence of resilience and maladaptive processes in the case study SEs. This inspired the researcher to further investigate the latent relationships between SEs' challenges, SEs' strategies and the consequences of strategies. This led to the development of a conceptual framework consisting of two dimensions, the complexity of SEs' challenges and SEs' willingness to adapt, which demonstrated the contingent nature of SEs' achievement of resilience and long-term solutions to challenges. The findings are further explored in the following sections, to outline the empirical, theoretical and practical contribution that this thesis has made to knowledge.

9.4 EMPIRICAL CONTRIBUTION

As identified in Chapter Two, there is an expanding interest in academic research on the performance and management of SE. With the growing understanding of challenges arising from SE's hybrid organising, scholars have appealed for more empirical studies to investigate SEs' organisational activities and managerial practices to handle these challenges (Battilana & Lee, 2014; Doherty et al., 2014; Young et al., 2012). By studying four SEs providing employability training services in Scotland, this thesis has completed two 'stocktaking' tasks. It has teased out the challenges confronted by SEs delivering public services and the strategies adopted by SEs to tackle the challenges, as presented in Chapters Six and Seven. This thesis has made an empirical contribution to knowledge in these two aspects.

9.4.1 Conflicts between public service users

This thesis has built up our understanding of the sources of challenges. The findings have demonstrated that conflicts related to multiple stakeholders lead to challenges for SEs. The empirical data in this thesis explicated that SEs' struggle came from stakeholders' misunderstanding of SEs' performance, intention to change SEs' behaviour and tactical interests in taking advantage of SEs. Within the organisation, individuals involved in the SEs' daily operation were found to hold clashing perceptions of SEs' objectives. This gave rise to divisiveness within the SEs and delayed strategic decisions.

The research on SEs' hybrid organising claims that there are internal and external causes of SEs' challenges (Battilana & Lee, 2014). This assertion is generally derived from discussion on the tensions between business and charity norms, mainly reflecting on multiple stakeholders' conflicting demands of SEs' objectives (Austin et al., 2006; Campi et al., 2006; Bacchiega & Borzaga, 2003; Moizer & Tracey, 2010; Spear et al., 2009; Teasdale, 2010b; Weinert, 2016).

The findings in this research resonated with the existing literature, but this thesis has also provided empirical data about one challenge irrelevant to the tensions between SEs' dual missions.

The findings have shown that individual public service users have different demands for the same service provided by a SE. The clashing demands from public service users gave rise to the challenge for the SEs to customise the service in the middle of delivery, to meet individuals' expectations. The challenge was intensified when public service users had difficulties with communicating their demands clearly. This has provided new empirical data of SEs' challenges from being a public service provider. Public service users' clashing demands for services demonstrated conflicts among stakeholders within SEs. Nevertheless, the challenge did not refer to the tensions of hybridising social and business missions. The importance of noticing challenges outside the tensions between SE's dual missions is underlined. As SEs are increasingly involved in public service delivery, more complexity is added to their organisational activities and managerial practices than just the concerns of balancing social and business objectives. Since there has been emergent interest in studying SEs from a public management perspective (Powell et al., 2019), this thesis considers the findings regarding SEs' challenge to deliver public services contributing to the understanding of SEs' role as PSOs.

9.4.2 Social enterprises' hidden cost

The exploration of challenges for SEs enables this thesis to provide an improved understanding of the hidden cost in SE's operations: competitive disadvantage and opportunity cost. SEs' commitment to both social and economic impact brings about competitive disadvantage, when they compete in an open market that appreciates low contract prices and pure economic performance. For SEs focusing on niche markets, the social commitment to local communities compromises their intention to seek viable business opportunities outside their locale. SEs thus have to bear the opportunity cost in the business side whilst pursuing the social mission.

There has been initial discussion in the SE literature about the additional cost. For instance, work integration SEs usually spend additional resources to train their low-skilled employees before they can work properly in the SEs' business side (Nyssens, 2006). The understanding of SEs' hidden cost, however, extends this argument by looking at broader opportunities or

benefits which SEs are deprived of, due to the hybridity of dual missions. This is a contribution to the SE literature by providing a new perspective to the challenges in hybrid organising (Battilana & Lee, 2014; Doherty et al., 2014).

9.4.3 The changing nature of social enterprises' challenges

This thesis has identified the changing nature of SEs' challenges. New challenges emerge and old ones evolve, along with the growth of the SE. The research has shown that SEs' original organisation of dual missions turns out to be insufficient in time to accommodate stakeholders' rising demands for SEs' paths of development. The challenges for SEs thus change, as existing conflicts are intensified and new conflicts appear. The existing literature has discussed the appearance of new challenges due to the involvement of new stakeholders (Spear et al., 2009). However, the discussion focuses on challenges that appear for a transient time when organisations transform into SEs. This thesis has built on this argument and extended it to include the entire organisational lifecycle of SE. The identification of the changing nature of SEs' challenges resonates with the changing environment advocated by the resilience theory (Smith & Fischbacher, 2009), which underpins the introduction of resilience theory into the SE field.

9.4.4 Social Enterprises' strategies to tackle challenges

The study has revealed that SEs adopt various strategies to tackle challenges and the strategies include three types. One feature of SEs' strategy is the strong intention to mobilise human resources. The research has provided empirical data to show the significance of human resources management in SEs' organisational activities and managerial practices to tackle the challenges. Prior studies have argued that a hybrid workforce, in the sense of composition dimension, contributes to the good practice of hybrid organisation and delivery of high-quality public services (Battilana & Lee, 2014; Powell et al., 2019). This research complements this argument by emphasising that a workforce of hybrid competences and hybrid approaches to fostering competences enhance SEs' organisational capacity to tackle challenges.

The second type of SEs' strategy is a conscious adaption to challenges. Confronting challenges, SEs process extensive information about challenges, refer challenges to individuals with the right competences to handle them and adjust operations to enable the implementation of new strategies. Meanwhile, SEs learn from the experience of tackling challenges to grow the

ability to predict and prepare for similar challenges in the future. There is one sub-type of adaption. Although SEs similarly refer challenges to competent individuals and adjust operations actively, they select the information that is easy for them to process. Due to incomplete information about the challenges, SEs mismatch the adaption with the core of challenges. The adaption does not serve the purpose to develop the organisations' capacity to absorb the current challenges or prepare for future challenges.

The third type of SEs' strategy is rigidity. In opposition to adaption, SEs stay rigid in the face of certain challenges. There are two further sub-types of rigidity. Firstly, SEs formalise the routines and ignore the challenge. SEs do not create new strategies or adjust operations to respond to challenges. Secondly, SEs use the previously designed plans when the challenges occur. Although SEs are well prepared for challenges with already tested strategies, the pre-designed plans are rigid, since they are not updated with new information about challenges and misinterpret the lack of failure as success. The pre-designed plans are thus vulnerable to unexpected changes in challenges and fail to serve the purpose to prepare SEs for future challenges.

9.4.5 Trade-offs in social enterprises' strategies for organisational resilience

SEs delivering public services hybridise structural elements of three sectors and therefore suffer from challenges of deviating from each sector (Greenwood et al., 2011; Powell et al., 2019). Although it has been argued that delivering social quality and service quality contributes to SEs' good hybrid practice (Powell et al., 2019), my thesis has explicitly pointed out the trade-offs between keeping the high-quality public services and achieving organisational resilience in the business side. The trade-offs are twofold. Firstly, SEs' commitment to individual public service users is kept, at the cost of neglecting business customers' service demands, disregarding new business opportunities and avoiding radical business models. Secondly, SEs' competitive advantage in business service quality is gained at the cost of creaming off public service users and focusing on meeting public service contracts, rather than the individual public service user's need. This thesis has demonstrated the diverse practices of SE. SEs of different types of practice have their own unique advantage in the delivery of public services. However, it is evidenced in the research that SEs delivering public services have to face a zero-sum game, in order to straddle the three sectors. This indicates a lack of sufficient grounds to argue that one single type of SE can provide more innovative, cost-efficient and responsive public services than other PSOs. Rather, SEs of

different practices are jointly able to meet public service demands at both the public service contract level and the individual public service user's level. Therefore, the findings have offered pivotal empirical insights to the current discussion of whether hybrid organising makes SEs better PSOs.

As discussed in Chapter Two, in parallel to the expanding research interest in SEs' challenges to organise hybridity and achieve dual missions, scholars have recognised a significant gap in knowledge regarding SEs' organisational activities and managerial practices to tackle the challenges (Battilana & Lee, 2014; Doherty et al., 2014; Young, 2012). More empirical studies are called for. This thesis has identified three types of SEs' strategy to tackle challenges and has therefore contributed to filling the empirical gap in the SE field. The empirical evidence also indicates that the strategies adopted by SEs lead to a wide range of consequences and effectiveness in tackling the challenges. More importantly, trade-offs between pursuing organisational resilience and keeping the commitment of high-quality public services has been identified. These empirical insights have paved the way to the development of the conceptual framework to articulate the links and patterns between SEs' challenges, strategies and consequences of strategies. This also demonstrates a strong connection between empirical contributions and theoretical contributions, which reinforce each other.

9.5 THEORETICAL CONTRIBUTION

In addition to the empirical contribution, this thesis has made some important contributions to the SE literature and the resilience theory.

9.5.1 Resilience and maladaptive processes in the SE context

The thesis is the first research that has formally employed the resilience theory as a lens to examine SEs' organisational activities and managerial practices to tackle challenges and the effectiveness of their strategies. By introducing the resilience theory into the SE field, the research has developed two new conceptualisations regarding the consequences of SEs' strategies to tackle challenges: resilience and maladaptive processes. SE's resilience is referred to as:

> An outcome that emerges from SE's strategies and processes that enable SE to adapt to changing challenges. The strategies and processes enlarge SE's capacity to absorb current challenges and prepare for future challenges.

Therefore, resilience is achieved when SEs recognise the cause(s) of the challenge, adapt accordingly and are ready to adapt, whenever the challenge changes. The achievement of resilience indicates a long-term solution, since SEs' strategies not only aim at the current challenge, but also enable organisations to learn from the previous adaption. This enhances SEs' capability to predict changes in challenges and to be prepared to handle challenges smoothly in the future. However, this depends upon whether SEs can grasp the correct cause(s) of challenges for adaption and their willingness to spend resources, since adaption requires intense resource input. Alongside resilience, SE's maladaptive processes are conceptualised as:

> An outcome that emerges from SE's strategies and processes that increases SE's rigidity in response to challenges. The strategies and processes enable SE to cope with current challenges by intensifying normal routines, underlining pre-designed plans and allowing limited adaption.

Therefore, maladaptive processes take place when SEs pay little attention to or misunderstand the cause(s) of challenges and prevent changes to the pre-set procedures. In contrast to resilience, the occurrence of maladaptive processes indicates a short-term solution, since SEs' strategies neglect the changing nature of challenges and resist adjustments to operations to prepare for potential changes in challenges. This protects SEs' pre-set missions, without bringing interruptions into their operations. SEs are vulnerable to unpredicted challenges, since the strategies and processes do not build up organisations' capacity to absorb more significant challenges.

The concepts of SE's resilience and maladaptive processes have been developed together with a framework, to explain when and why SEs' strategies to tackle challenges lead to these two consequences. The conceptual framework presents the contingent nature of SE's achievement of resilience, which depends on the complexity of the challenge and SE's willingness to adapt to the challenge. Resilience is achievable when the SE confronts a challenge of a single cause and the SE is willing to adapt to the challenge. The single cause makes it easier for the SE to process information about the challenge, while the willingness to adapt motivates the SE to mobilise human and monetary resources to adjust operations.

Maladaptive processes occur on three occasions. First, the SE confronts a challenge of a single cause, but the SE is unwilling to adapt to the challenge. Under these circumstances,

the SE tends to formalise routines to resist the challenge that is regarded as small and unimportant to the achievement of dual missions. Nevertheless, the rigid response does not capture the changing nature of challenges and makes the SE vulnerable to unpredictable challenges that rigidity cannot resist. Second, the SE confronts a challenge of multiple causes and the SE is unwilling to adapt to the challenge. The SE tends to implement the pre-designed plan that has worked on the challenge before, regardless of changes in the challenge. The rigorous plan similarly neglects the changing nature of challenges. The absence of failure in the pre-designed plan makes the SE underestimate potential changes in the challenges. The organisation is thus vulnerable to unpredictable challenges that the plan cannot handle. Third, the SE confronts a challenge of multiple sources and the SE is willing to adapt. Nevertheless, the complex cause undermines the SE's ability to process information about the challenge. The SE selects information that is easy for it to process and therefore, the adaption is mismatched to the core of challenges. While the mismatched adaption does not effectively solve the challenges, the SE also wastes resources on the wrong adaption. This framework makes a novel contribution to our understanding that SEs' organisational activities and managerial practice, in the face of challenges, depend on both external and internal contingent conditions.

Using the resilience theory as a theoretical lens, this research examines the challenges confronted by SEs, SEs' strategies for challenges and the consequences of strategies. By integrating the findings from these three layers, the conceptual framework has shown the significance of resilience theory in understanding SEs' organisational activities and managerial practices under challenging conditions. The development of two new concepts, SE's resilience and maladaptive processes, is one significant theoretical contribution this thesis has made to the SE literature. Also, the discovery of the contingent nature of SE's long-term solution to the challenges is another pivotal theoretical contribution to the SE field, which undoubtedly enhances our understanding of how SEs behave to manage broader challenges.

9.5.2 Contribution to the resilience theory

In addition to the SE literature, this thesis has made a significant contribution to the resilience theory. The existing literature of organisational resilience emphasises the essence of adaption in terms of time, whether the organisation is capable to adapt to challenges *at present* and *in the future* (Burnard et al., 2018; Hollnagel & Fujita, 2013; Norris et al., 2008;

Martin, 2012; Manyena et al., 2011). Therefore, rigid responses and rigorous plans are listed in the resilience theory as maladaptive processes that hinder the achievement of resilience (Burnard et al., 2018; Sutcliffe & Vogus, 2003). However, the findings have demonstrated that the content of adaption is another dimension that influences organisations' capacity to adapt to challenges. The mismatched adaption, as demonstrated in the research, causes SEs to mismatch adaption with challenges, which is a dysfunctional strategy that prevents SEs from achieving organisational resilience. This thesis thus argues that organisational resilience is not achieved through adaption to the wrong cause of the challenge. The identification of mismatched adaption being a new barrier to resilience has extended the idea of maladaptive processes and therefore, contributes to the development of organisational resilience theory.

9.6 CONTRIBUTION TO POLICY AND PRACTICE

9.6.1 Policy

This thesis has raised several issues regarding the Scottish Government's policy around SE development. As discussed in Chapter Four in the current policy context, the Scottish Government is keen to involve SEs in delivering public service contracts. The two legislations, the *Procurement Reform (Scotland) Act 2014* and the *Community Empowerment (Scotland) Act 2015* particularly aim to give SEs advantages when bidding for a public contract. This research has nonetheless provided empirical data showing that the policy intention of turning SEs into public service contractors neglects the diversity amongst SEs and does not necessarily benefit the overall improvement of public services.

The findings from this research have implied that the case study SEs, with attached dual missions, were more than capable of building up their business scale to meet the financial requirements to bid for public service contracts. However, these SEs tended to accept public service users who were able to complete the training programmes, in order to ensure the outcome rate for public service contracts. SEs with embedded dual missions, on the other hand, had difficulties in building up the business scale to fit the public procurement. They tended to accept public service users who needed excessive support and attention. Whilst this thesis is not criticising the public policy for SE development in Scotland, it provides policymakers with an alert that the policy needs to consider the diverse forms of public service SEs provide and the diverse beneficiaries that these services target. Whilst the current policy support is encouraging SEs to get involved in public service contracts, equal policy

attention needs to be paid to SEs that are ineligible for public procurement, but able to deliver services left out by public contracts.

9.6.2 Practice

The conceptual framework of SE's resilience has provided guidance to assist SE practitioners in forming their strategies and processes under challenging conditions. This thesis does not claim that SEs should achieve resilience from any challenges. As discussed, the achievement of resilience is contingent in nature. However, emerging from the empirical findings, this model does indicate some important practices that SEs can take into account. Hence, this thesis is considered to be contributing to practice by offering two recommendations and one alert to SE practitioners. The first recommendation is to engage public service users, business customers and internal experts in the design and implementation of strategies. The research has demonstrated that these actors played especially critical roles in case study SEs' achievement of resilience. SEs are encouraged to listen and react to their public service users' and business customers' demands, since their opinions compose helpful information for preparing the potential challenges for public service and business service. Experts within SEs have been identified as the key resources to collect more information about challenging conditions through their existing networks and to decide on the strategies for challenges, relying on their expertise and knowledge. SEs are recommended to recruit experts when there are financial slacks. Identifying and fostering experts from within SEs is also suggested.

Indeed, the findings from the research have demonstrated that SEs did not always follow the practices that led to resilience and long-term solutions to challenges. The factors impeding adaption, listed in the framework of SE's resilience typology, have provided SE operators with a precautionary checklist for maladaptation when these practices are not happening. As the framework has suggested, the impeding factors centre in the strategies and processes to broaden information about challenges. Comfort et al. (2001) have alerted that an organisation's function to process information decreases with the increasing complexity in its environment. This issue has been highlighted in the three types of maladaptive processes summarised. Hence, this thesis suggests that SE practitioners particularly attend to the aspect of information processing in their strategies and processes under challenging conditions. This constitutes the second recommendation to SE practitioners.

The alert to SE practitioners regards the integration of SE's dual missions. This thesis has indicated a primary link between the divergent ways to integrate dual missions and SE's achievement of resilience. Case study SEs with embedded dual missions were more likely to confront challenges of complex causes, which linked to most cases of maladaptive processes. It is beyond the scope of this thesis to suggest any solution to this issue, but this thesis offers a caveat for SE practitioners who adopt embedded dual missions or will adopt embedded dual missions about the potential problems resulting from this particular way of integrating dual missions.

9.7 LIMITATIONS

Scholarly interest in SE has moved beyond the early debates around the definition to the current exploration of SE's strategies and management, in which qualitative work is prevalent to provide empirical data, especially in Europe (Doherty et al., 2014). This thesis has adopted a qualitative case study approach to explore SE's strategies and processes under challenging conditions. Three main limitations are identified in this research.

First, in order to develop a deep understanding of SEs involved in public service delivery, this research was conducted in only one area of public services, employability training. This causes concerns over applicability in other areas of public services, where SEs may experience different challenging conditions. Indeed, this does not necessarily undermine the quality of the data, as the research has focused on providing exploratory data on SEs' strategies and processes, which has constituted a genuine reflection of the four case study organisations. Nonetheless, the normative ideas generated from this empirical data needs further discussion in other SE settings.

Second, all the case study organisations were located in the Scottish Lowlands. There has been empirical research suggesting that SEs in the Scottish Highlands operate in a special geographical context, which forces SEs to adapt to the difficult physical environments (e.g. Steinerowski & Steinerowska-Streb, 2012). This indicates a limit of applicability of this thesis in other geographies of Scotland. However, this thesis may pave the way for similar empirical studies on SEs in other parts of Scotland.

Third, the four case study organisations were at different stages of evolution. One was over 20 years old and the three others were young organisations, established for just over five years (although the parent charity of Bistro Gallery was over 20 years old). In the more

established case, fewer challenging conditions were reported, more resource slacks were there to utilise and more experience was there to draw upon to help the organisation create strategies to weather challenges. However, the younger organisations lacked such an accumulation of experience or resources. This was an issue not addressed in the study.

9.8 DIRECTIONS FOR FUTURE RESEARCH

The research has revealed SE's strategies and processes to tackle challenges and the contingencies for SE to achieve resilience. Building upon this and the limitations of this research, three key directions for future research in this area have been identified. First, the research has identified the limitation of including SEs at different stages of growth. Besides, there are some hints in the research that the complexity of challenges may relate to the SEs' different ways of integrating their social and business missions. These points may open up the way to considering adopting alternative methodologies to test the findings outlined within this research, the facilitators and the barriers to SEs' adaption to achieve resilience. To do so, a large-scale quantitative study may be considered in employability training services. It will explore and analyse to what extent the identified facilitators and barriers affect sample SEs' information processing, resource utilising and decision-making under challenging conditions. Alternatively, a longitudinal study on a single SE case could also be useful to explore the possible changes in the facilitators and barriers over time. By doing so, the generalisability of the findings within this research will be tested and potential refinement could be made to the initial model of SE's integrated strategies and processes for resilience.

Second, as mentioned in the previous section of research limitation, this thesis focused on one public service area and was limited to the Scottish Lowlands. One direction for future research would be to conduct comparative studies that explore SEs from different public service areas or SEs from different geographical areas. In terms of different public service areas, it would be interesting to study SEs that provide environment-related services. This would lead the research back to the origins of resilience, which could further test and develop the model, whilst exploring if more socio-ecological factors need including in the model and if more types of maladaptation may be uncovered. This also would be in line with the emerging scholarly debate around 'resilience for whom' in the socio-ecological field (Cote & Nightingale, 2012; Cretney, 2014). Geographically comparative studies could also extend this research by testing and developing the model for specific geographic regions. As mentioned above, that the special geographical context forces SEs in the Scottish Highlands to adapt, an

exploration of these SEs' strategies and processes for challenges could lead to identifying similarities and differences in SE's resilience, in different regions.

Third, this research has focused on resilience, referring to SE's strategies and processes to respond to challenging conditions. With regards to the development of organisational resilience theory itself, scholars are attempting to expand the focus of organisational resilience to the point of organisations' detection and activation, before challenging conditions happen and the point of organisations' learning after responding to challenging conditions. These two emerging streams of research would be of interest, if explored in the SE context.

9.9 REFLECTIVE JOURNEY ON DOCTORAL LEARNING AND DEVELOPMENT

My initial interest in SE research began with my research assistant job, after I obtained a master's degree in public policy and management. My research tasks involved a lot of interaction with SEs operating in Hong Kong. Back then, almost all the SE practitioners that I knew complained that it was difficult to run a SE, although these SEs were somehow able to survive and thrive. My research assistant position did not allow me much space to pursue questions about why and how these SEs survived and thrived. However, the questions did inspire me to start my PhD studies.

The whole PhD journey for me has been a long, learning process, in which I felt that my research ability has developed, particularly in three areas. The first area regards how to convert a research idea into a solid research focus. Although I started with a research interest in SE's survival and ability to thrive, it took a long time to finally settle on the research focus of the concept of organisational resilience. During the period of seeking, understanding and re-seeking research focus, I recognised the change in the way I perceived research questions and research problems. In the beginning, I had strong assumptions that the public policy and the public funding schemes affected SEs' survival, after reading the literature on the government's intervention in SE development. I thus attempted to direct the research towards 'disclosing' the relationship between SEs' survival and the different instruments in the government's policy support. However, my supervisor pointed out that I had drifted away from the original research idea, which focused on a SE as an organisation and its strategies. I then realised that my research needed to explore what SEs do to survive and thrive during adversity, rather than testing the causal relationships between certain factors and SEs'

survival. This learning process enhanced my understanding of the fundamental philosophical positioning of myself as a researcher. In addition, further literature was read, to identify the research topic, which benefitted me in terms of developing my ability to identify synergies between different theoretical concepts and perceptions.

The second area relates to data collection. Some issues cropped up, including difficulties in getting access to SEs, the sudden cancellation of access and unexpected developments in the case. As mentioned in Chapter Five's methodology, I spent nearly 18 months completing the data collection. During this period, I learnt how to move forward from the disappointment of losing a potential case to utilising the network built during the fieldwork, to approach new cases. I also learnt to customise ways of communicating for different cases. The case organisations all had different working styles. Some asked for rough information about the research outline, while others requested a detailed schedule of fieldwork. Being responsive and sincere to any concerns raised by the case organisations was a lesson I learnt from coordinating with four different case study organisations. These practical experiences were valuable for my future case management skills, given that I aim to continue to be a qualitative researcher.

The fieldwork generated a large amount of interesting data, which then was teased out into findings for conceptual development. Data analysis was a repetitive and 'muddling-through' process. The broad and rich findings drew my attention to a number of different options to build the discussion in this thesis and to make potentially different contributions. The third area in this journey, from which I have learnt, is to be immersed in the data, understanding data and making sense of data, while referring to the literature for assistance. In the process of analysing data, I was confronted with a huge barrier to articulating explicitly what happened in each case study organisation. In the beginning, a lot of effort was made to tell the 'resilience story' of each organisation. However, I failed, since there were too many sub-stories within one organisation, which involved the interviewees' diverse opinions and perceptions. I decided to go back to the raw data, repeatedly reading the transcripts and the fieldwork notes. Familiarising myself with the data further, the choice of analysis unit became clearer, which was the story of each challenging condition. Then the strategies and processes to tackle each challenge were to be compared within the case and across cases. This led to the final development of the typology and the model, important foundations upon which further studies can continue.

To bring this thesis to a close, it has taken me five years to complete the research. Just like the focus of this research, I have been learning how to be resilient myself during the entire PhD journey. This thesis has presented research on SE's strategies and processes to tackle challenges and to achieve resilience. However, as indicated in the section about future direction, this thesis has paved the way for more potential studies in the field. With the growing number of SEs and SEs' growing role in public services delivery in Scotland and worldwide, it is imperative to further develop our understanding of their capacity to survive and thrive in adversity. This motivates me to continue building up my research ability and working in the SE field, beyond this doctoral study.

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Appendix 1: Example of interview topic guides

Research Title: Can social enterprises achieve resilience in their delivery of public services and what are the contingencies?

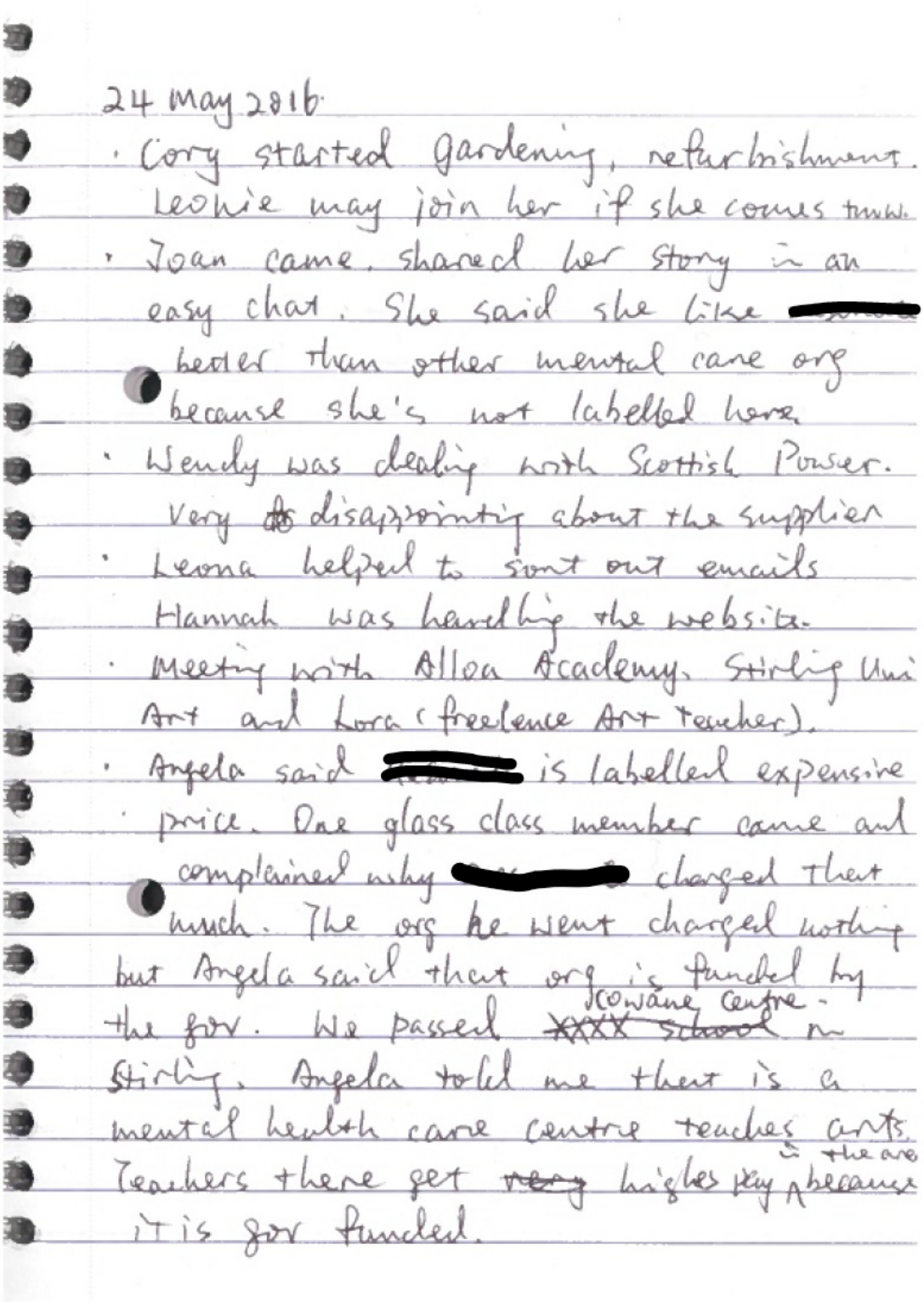
Research Focus: Established in 2012, Security & Pub has been growing into one social enterprise with two solid businesses in security and catering respectively. I would like to know 'why' and 'how' behind its success. At the same time, I would also like to know what challenges and difficulties, internally or externally, that Security & Pub has had in the past and what strategies Security & Pub has adopted to retain the robustness. What challenges does Security & Pub have now and how can it overcome them? I will then study these strategies and analyse which of them work for the Security & Pub's resilience while which ones don't work and what factors affect the effectiveness of these strategies.

Exploratory questions:

1. How do you understand Security & Pub as an organisation? Is it a social enterprise, a charity or what else?
2. In your opinion, what are Security & Pub's social and economic missions?
3. What is Security & Pub's strengths and weaknesses as an organisation?
4. What are the major challenges or difficulties for Security & Pub?
5. Who are the main stakeholders to Security & Pub and are they related to Security & Pub's challenges?
6. In your opinion, does Security & Pub have the ability to handle these challenges and how can the board help with it?
7. What is your expectation for Security & Pub in the near future?

Case Study Proposal to SECURITY & PUB			
Activity	People	Objective	NB
Individual interview	SECURITY & PUB board members	-To explore the core values in business strategies; -To understand what resilience means to SECURITY & PUB; -To explore how the core values contribute to SECURITY & PUB resilience; -To explore strengths, the weaknesses and challenges in SECURITY & PUB's business strategies; -To understand what a board member's role is in making SECURITY & PUB resilient and robust.	Each interview will last between 30 to 60 minutes.
	SECURITY & PUB management team members	-To understand how the management team members are influenced by SECURITY & PUB's core values; -To understand what resilience means to the management team; -To explore how they use their own competence to implement the strategies; -To explore their possible influence on the SECURITY & PUB's resilience and robustness.	
	Trainers	-To understand how the training programmes are designed -To understand how trainers engage trainees in the programmes -To understand how the training programmes are incorporated with the business strategies	
Observation	Board meeting (1-2 times)	-To explore the core values in the strategic decisions; -To observe how strategic decisions are made; -To observe how the board use strategies to respond to external changes (if any), such as the changing market; -To explore how the board can contribute to SECURITY & PUB's resilience and robustness.	All observation remains non-participatory and non-interventional. The researcher will not take any actions to disturb the meetings.
	Management team meeting (1-2 times)	-To observe how the management team interprets strategic decisions into implementation. -To observe whether and how the core values are conveyed in the implementation; -To explore how the management team can possibly contribute to SECURITY & PUB's resilience and robustness.	

Appendix 2: Example of observation notes



24 May 2016

- Cory started gardening, refurbishment. Leonie may join her if she comes tmrw.
- Joan came. shared her story in an easy chat. She said she like [redacted] better than other mental care org because she's not labelled here.
- Wendy was dealing with Scottish Power. Very ~~to~~ disappointing about the supplier
- Leona helped to sort out emails Hannah was handling the website.
- Meeting with Allloa Academy. Stirling Uni Art and Lora (freelence Art teacher).
- Angela said [redacted] is labelled expensive price. One glass class member came and complained why [redacted] charged that much. The org he went charged nothing but Angela said that org is funded by the gov. We passed ~~XXXX school~~ Cowane Centre in Stirling. Angela told me that is a mental health care centre teaches arts. Teachers there get ~~very~~ high salary because it is gov funded. = the are

Appendix 3: Confidentiality Pledge

Confidentiality Pledge

1. I hereby undertake not to disclose to any unauthorised person any research data collected in the case of XXX for any reason. I understand that this applies both during the term of my study and after its termination.
2. I understand that I am granted access to data and information for the purpose of research 'Can social enterprises achieve resilience in their delivery of public services and what are the contingencies?' alone.
3. All research data collected in the case of XXX, including interview recordings, meeting notes and observations, will be kept confidential, used anonymously and accessed only by the researchers, myself and my supervisor Prof Stephen Osborne, for a pure academic purpose.
4. I understand that I am required to keep all research data securely and undertake to follow all relevant procedures in doing so.

Signed:

Name: Yida Zhu

Address: Room 2.23, PhD Office 2, Buccleuch Place 29, EH8 9JS

Date:

Appendix 4: Interview codes

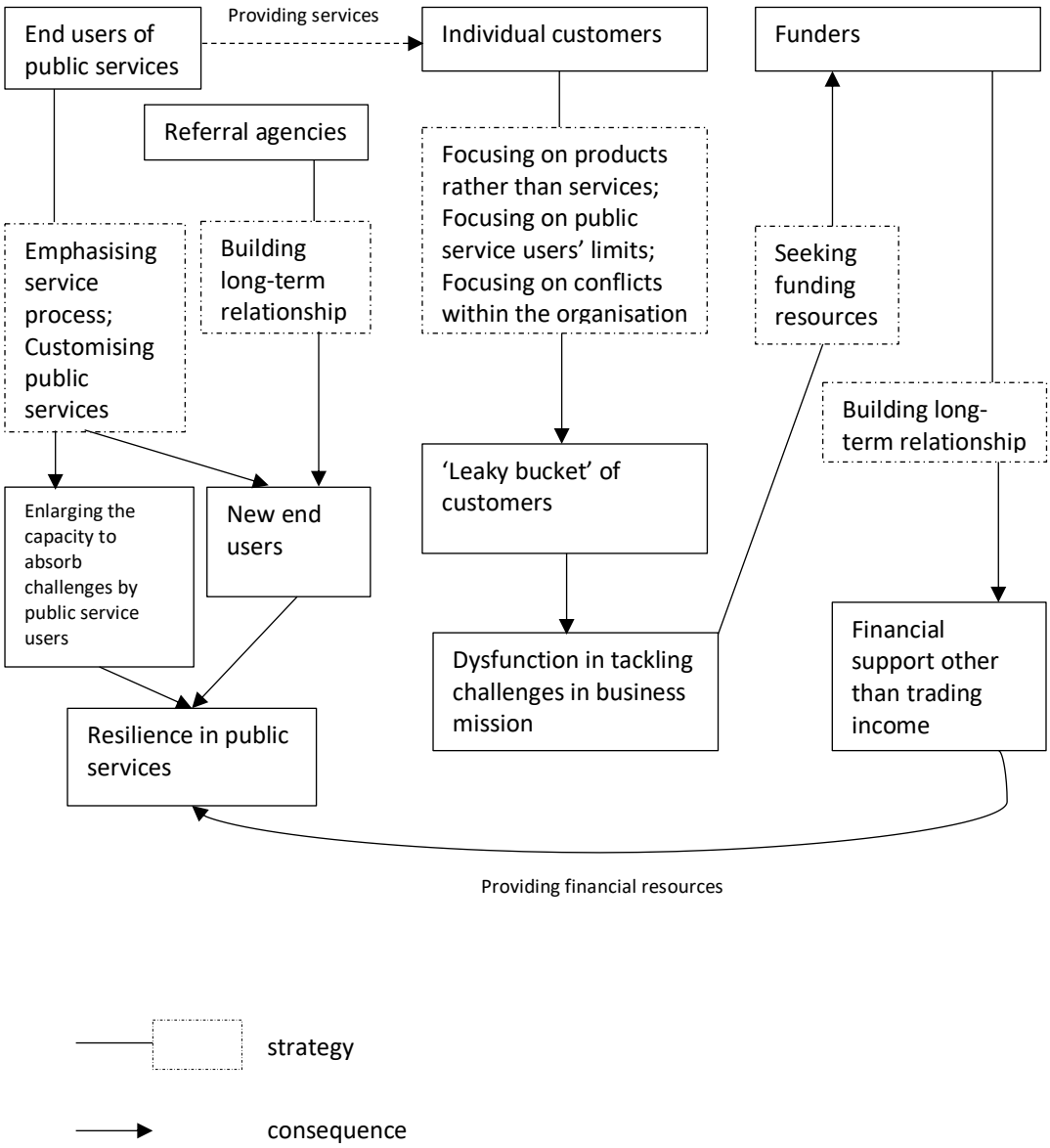
Interviewee	Open coding	Axial coding	Selective coding (Second-order Theme)
AH: challenge in public service delivery			
Board director A Chief executive Public service user A Staff member C	The chief executive being good at connecting and empathising people	Enhancing individuals' competencies in the organisation	Conscious adaption in strategies for challenges
Staff member A Staff member B	Creating a feeling of equality for the public service users	Adapting to enlarge capacity to meet public service users' demands	
Chief executive	Avoiding pressures on the public service users		
Board director A Chief executive Public service user A	Empowering the public service users to run the organisation		
AH: challenge in business patronage			
Chief executive Public service user A Staff member C	Consulting with the volunteers from the community for advice on business services	Enhancing individuals' competencies in the organisation	Conscious adaption in strategies for challenges
Chief executive Staff member B Staff member C	Considering the price for the deprived community	Mismatching the diversity of business services with business customers' demands for service quality	
Chief executive Public service user A	Diversifying the business scope to meet the community's diverse demands for business services		
Chief executive Public service user A Staff member A Staff member C	*Neglecting the quality of business services* Public service users are not capable to undertake all the business services properly		
AH: challenge in financial management			
Board director A Chief executive Public service user A Staff member A	Turning to the community to raise cash for operation	Replicating pre-designed and used plans	Unconscious rigidity in SEs' strategies for challenges
AH: challenge in internal governance			
Staff member A Staff member B Staff member C	power being centralised to the CE	Formalising routines	Unconscious rigidity in SEs' strategies for challenges
Board director Chief executive	Resisting changes to the internal governance		
Staff member A Staff member C	Dismissing the rebellions		

Interviewee	Open coding	Axial coding	Selective coding (Second-order Theme)
BG: challenge in public service delivery 1			
Chief executive	Inviting the training coordinator, a former council staff to negotiate with referral agencies	Enhancing individuals' competencies in the organisation	Conscious adaption in strategies for challenges
Training coordinator	Building long-term relationships with referral agencies	Adapting to enlarge the buffering zone to absorb clashes with referral agencies	
BG: challenge in public service delivery 2			
Chief executive	Entrusting the front-of-house manager, chef and the training coordinator to run the training programme	Enhancing individuals' competencies in the organisation	Conscious adaption in strategies for challenges
Front-of-house manager Chef Former trainee A Former trainee B	Customising training services according to public service users' conditions	Adapting to enlarge capacity to meet public service users' demands	
Training coordinator Front-of-house manager	Monitoring the service users' progress regularly		
BG: challenge in business patronage			
Chief executive Company secretary Front-of-house manager	Promoting new menus and food	Mismatching the diversity of business services with business customers' demands for service quality	Unconscious rigidity in SEs' strategies for challenges
Chief executive Training coordinator	Extending business hours		
Bookkeeper Chief executive Front-of-house manager	*Neglecting business customers' expectation for service quality*		
BG: challenge in financial management			
Board director A Former trainee B	Relying on the chief executive's ability of seeking funding sources	Enhancing individuals' competencies in the organisation	Unconscious rigidity in SEs' strategies for challenges
Bookkeeper Chief executive Gallery coordinator	Chasing new funding grants	Replicating pre-designed and used plans	
BG: Challenge in internal governance			
Chief executive Financial officer Bookkeeper	Employing a new financial officer and a bookkeeper	Enhancing individuals' competencies in the organisation	Unconscious rigidity in SEs' strategies for challenges
Financial officer Bookkeeper	Reforming the financial system	Mismatching the improvement of financial system with the demand of business awareness.	
Financial officer Bookkeeper	*Raising staff's financial awareness but with limited effect*		

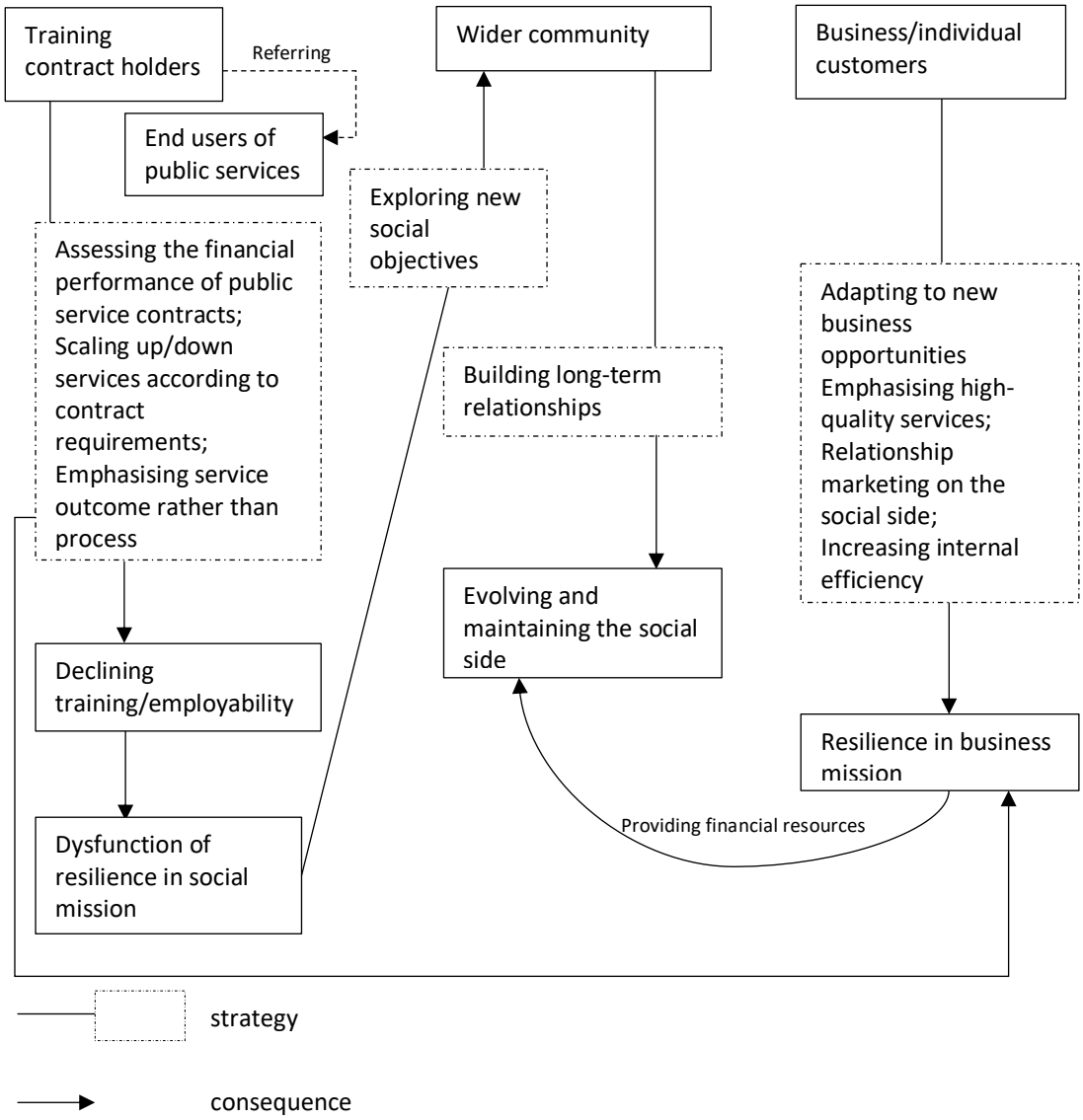
Interviewee	Open coding	Axial coding	Selective coding (Second-order Theme)
BP: challenge in public service delivery			
Board director B Chief executive	Collaborating with referral agency to start new training services	Adapting to seize new opportunities to deliver public services	Conscious adaption in strategies for challenges
Manager of training services	Restructuring and delivering training services without referral agency		
Chief executive Manager of training services	Entrusting the manager of training service to reform the training programmes	Enhancing individuals' competencies in the organisation	
BP: challenge in business patronage			
Chief executive	Employing managers with rich experience in the private sector	Enhancing individuals' competencies in the organisation	Conscious adaption in strategies for challenges
Manager of Cleaning Service Manager of Maintenance Services	Guaranteeing the high quality of business services	Adapting to enlarge the capability to meet business customers' demand for high-quality services	
Manager of Cleaning Service Manager of Maintenance Services	Utilising the SE title to attract business customers		
BP: Challenge in internal governance			
Chief executive Board director A Board director B	Bringing business professionals onto the board	Enhancing individuals' competencies in the organisation	Conscious adaption in strategies for challenges
Chief executive Manager of Cleaning Service Manager of Maintenance Services	Strengthening monitoring over business performance	Adapting to embrace the corporate governance	

Interviewee	Open coding	Axial coding	Selective coding (Second-order Theme)
SP: challenge in public service delivery			
Security manager Chief executive Board director B	Collaborating with the referral agency to deliver training services	Adapting to enlarge the buffering zone to absorb clashes with referral agencies	Conscious adaption in strategies for challenges
Security manager Board director A	Complying with the referral agency to retain training service contracts		
Security manager	Entrusting the security manager to bid for public service contracts	Enhancing individuals' competencies in the organisation	
SP: challenge in business patronage			
Chief executive Board director C	Employing managers with rich experience in the private sector	Adapting to enlarge the capability to meet business customers' demand for high-quality services	Conscious adaption in strategies for challenges
Chief executive Security manager Bar manager	Guaranteeing the high quality of business services		
Chief executive Bar manager Board director B	Utilising the SE title to attract business customers		
SP: challenge in financial management			
Board director A Board director B Board director C Chief executive	Seeking alternative investment resources	Adapting to seize new opportunities to build up business services	Conscious adaption in strategies for challenges
Board director B	Building long-term relationships with capital investors		
SP: challenge in internal governance			
Board director A Board director B Board director C Chief executive	Inviting business professionals to form the board	Enhancing individuals' competencies in the organisation	Conscious adaption in strategies for challenges
Bar manager Security manager	Developing internal management	Adapting to embrace the corporate governance	

Appendix 5: Data analysis mind maps (AH and BG)



Appendix 6: Data analysis mind maps (BP and SP)



Appendix 7: Data analysis of challenging conditions

Arts House				
Description of challenges	**Causes**		**Negative impact on the operation**	
AH dealt with public service users who had mental health issues and social problems.	Social commitment to supporting the long-term employed with multiple and severe issues	Public service users' unpredictable mental health conditions	Difficult to motivate public service users; Threat to AH's atmosphere	Disturbance to public service due to absence of users; Public service users disturbing the business service side
Operating in a deprived community AH had difficulties to attract business customers to spend money.	Own choice of location in a deprived community	-	Lack of patronage	Hindering AH's income generation from business services; Hindering AH's identification of potential public service users
AH did not have enough cash in the account balance to pay the rent.	Poor financial control	Outstanding bills	Risk of closing down	Disturbing AH's public and business services
The new paid staff attempted to enforce a hierarchical structure in AH, which created tensions between themselves and the old team, including public service users and volunteers.	AH's existing inclusive structures to protect public service users and community volunteers	Funding bodies' expectations on paid staff's performance in the business side	Interpersonal tensions	AH's inclusive structures hindering business services, according to the paid staff; A hierarchical structure proposed by the paid staff harmful for public service users and community volunteers, according to the chief executive and the board director

Bistro Gallery				
Description of challenges	**Causes**		**Negative impact on the operation**	
Users from the parent charity were not willing to attend BG's training programme and the referral agency did not cooperate with BG's training aims.	-	Charity users' low participation Referral agency's misunderstanding	Difficulty to recruit trainees **↓ then** Unsuitable trainees from the referral agency	Disturbances to public and business services due to absence of trainees
BG dealt with public service users who had mental health issues and social problems	Social commitment to supporting the long-term employed with multiple and severe issues	Public service users' unpredictable mental health conditions	Difficult to motivate public service users; Absence in the roster	Disturbances to public and business services due to absence of trainees
BG's location disadvantaged the organisation to attract business customers	Own choice of undesirable location	-	Lack of business patronage	Hindering BG's income generation from business services; Hindering BG's training services due to no business customers for trainees to practice on
BG suffered from financial deficit due to the decreasing funding grants and the limited income from business services.	Poor internal financial control	Decreasing funding opportunities	Risk of closing down	Disturbing BG's public and business services
BG's original financial system was designed for a charity and did not work for business services.	Lack of expertise for business accounting	-	Wrong accounting information for business services	Hindering BG's income generation from business services

Business Park				
Description of challenges	**Causes**		**Negative impact on the operation**	
BP's training programme did not suit the trend of labour market and the referral agency ceased the collaboration with BP drastically.	Intention to share risk with referral agency	Economic recession Uncooperative referral agency	Drastic decrease in training outcome rate **↓ then** Loss of training programme	Disturbing BP's public service delivery
In the business service side, BP had to compete with private companies.	Commitment to living wage rate and cost of social objectives	Competition from private companies	Difficulty to gain and retain business patronage	Hindering BP's income generation from business services
BP's board was dominant by directors from the community who lacked business knowledge and were not helpful with business service side.	Commitment to community control	-	Not having good governance	Hindering BP's business development

Security & Pub				
Description of challenges	**Causes**		**Negative impact on the operation**	
SP did not have adequate financial resources to initiate the training services and later encountered a sudden change in the collaboration with referral agency.	Lack of in-house resources	Change in referral agency's contract conditions	Original training plan not initiated **↓ then** Intense competition for referral agency's contract	Hindering SP's public service delivery
In the business service side, SP had to compete with private companies.	Commitment to living wage rate and cost of social objectives	Competition from private companies	Difficulty to gain and retain business patronage	Hindering SP's income generation from business services
SP faced difficulties to gain capital investments due to the SE entity.	SE entity	Commercial investors' reluctance to invest in SEs	Difficulty to gain capital investments	Preventing SP from expanding business services
SP did not have any internal structures at the start-up and thus did not meet the investing body's financing requirements	Lack of resources to employ managers	-	Not having good governance	Hindering SP's business development